



CLEMSON UNIVERSITY
PROCUREMENT AUDIT REPORT
APRIL 1, 2012 – SEPTEMBER 30, 2016

Office of Audit & Certification
Division of Procurement Services
January 31, 2017

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EXECUTIVE DIRECTOR

THE DIVISION OF PROCUREMENT SERVICES

DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-8018

JOHN ST. C. WHITE
MATERIALS MANAGEMENT OFFICE
(803) 737-0600
FAX: (803) 737-0639

July 20, 2018

Mr. John St. C. White
Materials Management Officer
Division of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Re: Clemson University
Procurement Examination
Transmittal Letter

John:

We have examined the internal procurement policies and procedures of Clemson University for the period April 1, 2012 through September 30, 2016 to determine whether, in all material respects, the internal controls of Clemson University's procurement system were adequate to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The examination disclosed conditions described in the report which we believe need correction or improvement. We believe corrective action based on the recommendations contained in this report, will place Clemson University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations, in all material respects.

Sincerely,

D. Crawford Milling, CPA, CGMA
Acting Director
Audit & Certification

INTRODUCTION

We conducted an examination of Clemson University's internal procurement operating policies and procedures, as outlined in their Internal Procurement Operating Procedures Manual, under §11-35-1230(1) of the South Carolina Consolidated Procurement Code and Reg. 19-445.2020 of the accompanying regulations.

The primary objective of our examination was to determine whether, in all material respects, the internal controls of Clemson University's procurement system were adequate to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The management of Clemson University is responsible for establishing and maintaining a system of internal controls 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 internal control relate to (1) financial reporting, (2) operations, and (3) compliance. Safeguarding of assets is a subset of these objectives. Management designs internal control to provide reasonable assurance that unauthorized acquisition, use, or disposition of assets will be prevented or timely detected and corrected.

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. 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 review 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.

Our examination was also performed to determine if recertification under S.C. Code Ann. §11-35-1210 is warranted.

INTRODUCTION

On May 8, 2013 the State Budget and Control Board granted Clemson University the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 2,000,000 per commitment
Information Technology	*\$ 2,000,000 per commitment
Consultant Services	*\$ 2,000,000 per commitment
Revenue Generating Contracts	*\$ 15,000,000 per commitment
Construction Contract Award	\$ 3,000,000 per commitment
Construction Contract Change Order	\$ 500,000 per change order
Architect/Engineer Contract Amendment	\$ 100,000 per amendment

During the examination, Clemson University requested the following certifications:

<u>PROCUREMENT AREAS</u>	<u>REQUESTED CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 3,000,000 per commitment
Information Technology	*\$ 3,000,000 per commitment
Consultant Services	*\$ 3,000,000 per commitment
Revenue Generating Contracts	*\$ 15,000,000 per commitment
Construction Contract Award	\$ 4,000,000 per commitment
Construction Contract Change Order	\$ 500,000 per change order
Architect/Engineer Contract Amendment	\$ 100,000 per amendment

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

SCOPE

We conducted our examination to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Our examination included testing, on a sample basis, evidence about Clemson University's compliance with the South Carolina Consolidated Procurement Code, for the period April 1, 2012 through September 30, 2016, the examination period, and performing other procedures that we considered necessary in the circumstances. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 examination period, with no exceptions
- (2) Procurement transactions for the examination period as follows:
 - a) One hundred and sixteen payments, each exceeding \$10,000, with no exceptions
 - b) A block sample of 301 sequentially filed purchase orders reviewed for the use of splitting orders or favoring vendors with no exceptions
 - c) Procurement card purchases for June, July and August 2016, with one exception noted
- (3) Twenty-six Construction Contracts with six being indefinite delivery contracts and ten Architect/Engineer and Related Professional Service Contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II with no exceptions
- (4) Minority Business Enterprise Plans and reports with no exceptions. The following activity was reported to the Governor's Office Division of Small and Minority Business Contracting and Certification:

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
FY13-14	\$4,726,320	\$ 805,209
FY14-15	\$5,024,079	\$5,635,652
FY15-16	\$5,064,740	\$5,324,658
FY16-17*	\$1,044,018	\$ 585,519

*FY2016-2017 represents the first quarter only

- (5) The most recent Information Technology Plan in effect during the examination period with no exceptions
- (6) Internal procurement procedures manual with no exceptions
- (7) Surplus property disposal procedures with no exceptions
- (8) Ratification of unauthorized procurements with no exceptions

SUMMARY OF FINDINGS

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Twelve procurement cards with single transaction limits greater than \$10,000 had not received approval by the Chief Procurement Officer.	

RESULTS OF EXAMINATION

Procurement Cards

The State's procurement card policy limits single procurement card transactions to \$2,500 unless the Chief Procurement Officer authorizes a higher limit. On August 1, 2011, the South Carolina Higher Education Efficiency and Administrative Policies Act (HEEPA) became law and changed the procurement card policies for Colleges and Universities. HEEPA granted the governing boards of Colleges and Universities authority to increase procurement card single transaction limits up to \$10,000 without approval of the Chief Procurement Officer (CPO). During our fieldwork, we identified twelve procurement cards with single transaction limits greater than \$10,000 for which no approval from the CPO could be provided.

Section II(D)(2) of the South Carolina Purchasing Card Policy and Procedures Manual, dated July 13, 2012, states in part, "To raise or lower the single transaction limit, the procurement card administrator must submit the requested change in writing (E-mail or memo) to the MMO Chief Procurement Officer ..."

During our previous audit at Clemson, we identified several cardholders with single transaction limits (STLs) that exceeded the amount authorized and recommended the University comply with governing policies of the South Carolina Purchasing Card Policy and Procedures Manual and HEEPA. Clemson concurred with the finding and stated, "Clemson has followed our current practices since the early years of the procurement card program with the State and we believed we were following approvals that were granted back then. Upon review, we realize we do not have these approvals in writing and therefore will seek a formal approval regarding the management of STLs with the Chief Procurement Officer."

However, approval to increase any of the cardholder's single transaction limits above \$10,000 was never granted by the CPO.

As of January 31, 2017, all single transaction limits had been reduced to \$10,000 or less, in accordance with HEEPA and the State P-Card Policy.

RESULTS OF EXAMINATION

We recommend Clemson review and revise its P-Card procedures to reflect the higher small purchase limit and approval process provided by the Higher Education Efficiency and Administrative Policy Act of 2011, and comply with the South Carolina Purchasing Card Policy and Procedures Manual by requesting approval from the Chief Procurement Officer for cards with single transaction limits exceeding \$10,000 prior to increasing these limits.

CERTIFICATION RECOMMENDATION

We believe corrective action based on the recommendations contained in this report will place Clemson University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations, in all material respects.

Under the authority granted in §11-35-1210 of the Procurement Code, subject to these corrective actions, we recommend that Clemson University be certified to make direct agency procurements for three years up to the following limits.

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 3,000,000 per commitment
Information Technology	*\$ 3,000,000 per commitment
Consultant Services	*\$ 3,000,000 per commitment
Revenue Generating Contracts	*\$ 15,000,000 per commitment
Construction Contract Award	\$ 4,000,000 per commitment
Construction Contract Change Order	\$ 500,000 per change order
Architect/Engineer Contract Amendment	\$ 100,000 per amendment

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

Robin Devette Jacobs, CPA, CGMA

Robin D. Jacobs, CPA, CGMA
Audits Manager

D. Crawford Milling

D. Crawford Milling, CPA, CGMA
Acting Director
Audit & Certification

D. Crawford Milling
Acting Director, Audit and Certification
State of South Carolina
Procurement Services Division
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

Re: Clemson University
Procurement Examination

**PROCUREMENT AND
BUSINESS SERVICES**

Clemson University
ASB 108 Perimeter Road
Clemson, SC
29634-5365

P 864-656-2390
F 864-656-2394

Dear Mr. Milling,

Clemson University has reviewed the Procurement Audit Report for the audit of the period of April 1, 2012 thru September 30, 2016 and agrees with the Findings and Recommendations presented. The primary / sole finding regarding the P-Card single transaction limit was an indeed an item we had been attempting to address for some time prior to the audit, and can report that as of December 13, 2016, we updated our University policy and lowered the single transaction limits of cards that were in excess of \$10,000 to comply with the State Purchasing Card Policy and Procedures. Since that date, we have followed policy in requesting increases above \$10,000 for single purchases from the State Chief Procurement Officer.

We appreciate the effort and professionalism during the audit by Robin and her team in conducting this audit. We also thank you for your support and recommendation of our requested certification limits which we believe will allow us to continue to run an efficient procurement operation.

I am available if there are any further questions.

Respectfully,



Michael Nebesky
Director of Procurement
Clemson University