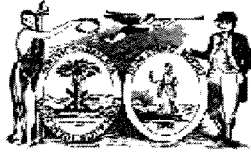


STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

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DIVISION DIRECTOR  
(803) 734-2320

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

R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

August 23, 2006

Mr. Delbert H. Singleton Jr.  
Director  
Procurement Services Division  
6<sup>th</sup> Floor-Wade Hampton Building  
Columbia, South Carolina 29201

Dear Delbert:

I have attached the 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 Lander 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

/gs

**LANDER UNIVERSITY**  
**PROCUREMENT AUDIT REPORT**  
**APRIL 1, 2003 - MARCH 31, 2006**

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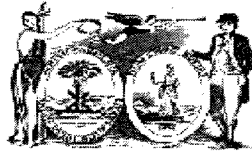
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CHAIRMAN, WAYS AND MEANS COMMITTEE

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EXECUTIVE DIRECTOR

DELBERT H. SINGLETON, JR.  
DIVISION DIRECTOR  
(803) 734-2320

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

R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

August 9, 2006

Mr. R. Voight Shealy  
Materials Management Officer  
Office of Procurement Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of Lander University for the period April 1, 2003 through March 31, 2006. 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, State regulations and the procurement policy of the University. 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 Lander 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, assurance of the integrity of the procurement process that affected assets are safeguarded against loss from unauthorized use or disposition and those 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 will in all material respects place Lander University in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager  
Audit and Certification

## INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Lander University. Our on-site review was conducted April 7, 2006 through May 9, 2006 and was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

On November 12, 2003, the State Budget and Control Board granted Lander University the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 100,000 per commitment
Consultant Services	\$ 100,000 per commitment
Information Technology	\$ 100,000 per commitment
Construction Contract Award	\$ 50,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 10,000 per amendment

Our audit was performed primarily to determine if recertification is warranted. Additionally, the University requested the following increased certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 150,000 per commitment
Consultant Services	\$ 150,000 per commitment
Information Technology	\$ 150,000 per commitment
Construction Contract Award	\$ 100,000 per commitment
Construction Contract Change Order	\$ 50,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 per amendment

## 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 Lander 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 judgmental samples for the period April 1, 2003 through March 31, 2006 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 April 1, 2003 through March 31, 2006
- (2) Procurement transactions for the period April 1, 2003 through March 31, 2006 as follows:
  - a) Ninety-eight payments each exceeding \$1,500
  - b) Two hundred and forty purchase orders reviewed for order splitting and favored vendors
  - c) Procurement card transactions for November 2005, December 2005 and January 2006
- (3) Three construction contracts and three professional service contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports for the audit period
- (5) Approval of the most recent Information Technology Plan
- (6) Internal procurement procedures manual
- (7) File documentation and evidence of competition
- (8) Surplus property disposal procedures

## SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Lander University, hereinafter referred to as the University, produced the following findings and recommendations.

	<u>PAGE</u>
I. <u>Inappropriate Sole Source Procurements</u>	
Two sole source procurements were inappropriate.	6
II. <u>Sole Source and Emergency Procurement Reporting Errors</u>	
We noted several types of reporting errors.	6
III. <u>Emergency Construction Procurement Not in Compliance</u>	
An emergency construction procurement was not completed in compliance with the State Engineer's Manual.	7
IV. <u>Procurements Without Competition</u>	
Three procurements were not supported by evidence of competition, sole source or emergency determinations, or justified as exempt.	7
V. <u>Modifications to Solicitation Packages and Award Documents</u>	
We noted several procedural weaknesses in the University's solicitations packages.	8
VI. <u>Freight Payments</u>	
The University paid freight on two purchases even though freight was not authorized.	8



## RESULTS OF EXAMINATION

### I. Inappropriate Sole Source Procurements

Two procurements were inappropriately declared sole sources.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
641	Emergency phones and mounting hardware	\$3,648
1585	Emergency phones and strobe lights	2,668

Section 11-35-1560 allows for sole source procurements where there is only one source for a required item.

We recommend the University solicit competition in compliance with the Code for these types of items.

### II. Sole Source and Emergency Procurement Reporting Errors

We noted several types of reporting errors.

<u>PO</u>	<u>Date</u>	<u>Description/Type</u>	<u>Amount</u>	<u>Error</u>
712	02/15/05	Assessment test-sole source	\$ 945	Less than \$1,500
947	05/10/05	Software license-sole source	3,244	Exempt
139875	03/24/04	Software license-sole source	3,090	Exempt
1733	07/27/06	Software license-sole source	3,438	Exempt
1532	11/15/05	Disassemble greenhouse-emergency	20,275	Under reported by \$10,775
35	07/01/04	Sewer line replacement-emergency	202,990	Under reported by \$54,990

We recommend the University review its procedures for the reporting of sole source and emergency activity to determine the weakness that resulted in the errors. We also recommend the University file amended reports by fiscal year correcting the errors.

III. Emergency Construction Procurement Not in Compliance

The University adequately justified an emergency procurement for the repair and replacement of sewer lines made on purchase order 35 with a total amount of \$202,990 that included 2 change orders. However, the University failed to comply with the following requirements in Section 8.6 of the State Engineer's Manual for emergency construction procurements.

<u>Section</u>	<u>Description</u>
8.6-A-3	Review of plans by Office of the State Engineer
8.6-E-2	Solicitation from at least 3 bidders
8.6-G-1	Bid security
8.6-G-2	Performance Bond and Labor and Material Payment Bond
8.6-H-3	Change orders submitted to Office of State Engineer as information
8.6-I-2	Construction emergency reported to the Office of the State Engineer

We recommend the University adhere to the procedures outlined in State Engineer's Manual for emergency construction procurements.

IV. Procurements Without Competition

Three procurements were not supported by evidence of solicitations of competition, sole source or emergency determinations, or justified as exempt.

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
PO 1319	Promotional video	\$15,000
PO 1489	Renovation	5,093
Vouchers 16657 & 16662	Honorarium	3,300

The University considered the promotional video an exempt copyrighted item. This exemption covers the procurements of copyrighted educational films, filmstrips, slides and transparencies, CD ROM documents, data bases, computer assisted instructional materials, interactive video programs and other related materials not promotional videos. The renovation was reimbursed by the University's food service provider. The University did not consider the

procurement subject to the Code because of the reimbursement. The University considered the honorarium exempt.

We recommend the University comply with the competitive requirements of the Code for these types of items.

V. Modifications to Solicitation Packages and Award Documents

We noted several procedural weaknesses in the University's solicitations and award documents. The shipping terms were not addressed in any of the solicitations. Shipping costs can make the difference in determining the lowest responsible and responsive bidder. Also, the price schedules in the solicitations did not provide a space for vendors to claim preferences for South Carolina end products or United States end products as allowed in Section 11-35-1524. Finally, the University did not include the bidder's right to protest on the statement of award documents as required by Section 11-35-1520(10).

We recommend the University incorporate these items in its solicitation package and award documents.

VI. Freight Payments

The University paid freight on two purchases even though freight was not authorized.

<u>PO</u>	<u>Invoice</u>	<u>Shipping Charges</u>
920	37998598	\$ 73
1149	1902121	100

The description on purchase order P0000920 stated that freight was included in quote 1400130.01 submitted by the vendor. Freight was not authorized on purchase order P0001149. Since freight was not allowed on the purchase orders, the Accounts Payable Department should not have processed the invoices for payment.

We recommend freight payments be made per the freight terms listed on the purchase orders or submitted to the Procurement Department for reconciliation.

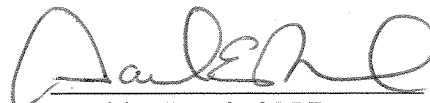
**CERTIFICATION RECOMMENDATIONS**

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, will in all material respects place Lander 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 will recommend Lander University be recertified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	*\$150,000 per commitment
Consultant Services	*\$150,000 per commitment
Information Technology	*\$150,000 per commitment
Construction Contract Award	\$100,000 per commitment
Construction Contract Change Order	\$ 50,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 per amendment

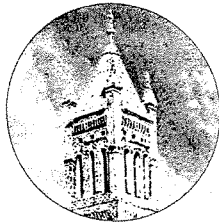
\* Total potential purchase commitment whether single year or multi-term contracts are used.



David E Rawl, CPPB  
Audit Manager



Larry G. Sorrell, Manager  
Audit and Certification



founded in 1872

**LANDER UNIVERSITY**  
*Office of Procurement Services*

August 21, 2006

Mr. Larry G. Sorrell  
Manager, Audit and Certification  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, SC 29201

Dear Mr. Sorrell:

I have reviewed the draft procurement audit report for Lander University for the period of April 1, 2003- March 31, 2006. I concur with the content of the report and its recommendations. In response to the findings, Lander University's Office of Procurement Services has taken action to implement all of the recommendations for improvements noted in the report.

I appreciate the professionalism exhibited by your staff while performing the procurement audit for Lander. Please express our thanks to both Mr. David Rawl and Mr. Kyle Dubose.

Sincerely,

Diane B. Moody  
Director, Procurement and Retail Services

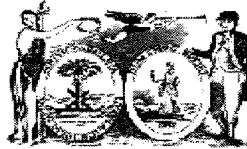
c: Diane Newton  
Vice President for Business Administration

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1201 MAIN STREET, SUITE 600  
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(803) 737-0600  
Fax (803) 737-0639

R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

August 23, 2006

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 Lander University to our audit report for the period of April 1, 2003 to March 31, 2006. Also we have followed the University's corrective action during and subsequent to our fieldwork. We are satisfied that Lander 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 Lander University the certification limits noted in our report for a period of three years.

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager  
Audit and Certification

LGS/gs

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