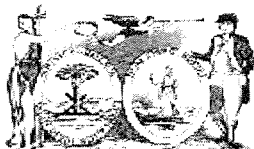


STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

MARK SANFORD, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

RICHARD ECKSTROM
COMPTROLLER GENERAL



HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
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

May 24, 2004

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

Dear Delbert:

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 Winthrop University a three-year certification as noted in the audit report.

Sincerely,

A handwritten signature in black ink that reads 'Voight Shealy'.

R. Voight Shealy
Materials Management Officer

/jl

WINTHROP UNIVERSITY
PROCUREMENT AUDIT REPORT
JANUARY 1, 2001 – DECEMBER 31, 2003

TABLE OF CONTENTS

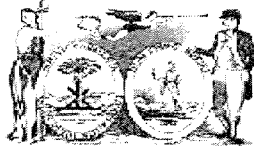
	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	3
Scope.....	4
Results of Examination.....	5
Certification Recommendations.....	9
Agency Response.....	10
Follow-up Letter.....	11

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

MARK SANFORD, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

RICHARD ECKSTROM
COMPTROLLER GENERAL



HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
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

May 5, 2004

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 Winthrop University for the period January 1, 2001 through December 31, 2003. 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 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, 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 will in all material respects place Winthrop University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

A handwritten signature in black ink that reads "Larry G. Sorrell". The signature is written in a cursive, slightly slanted style.

Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Winthrop University. Our review was conducted February 18, 2004 through April 9, 2004 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 June 12, 2001, the State Budget and Control Board granted Winthrop University, hereinafter referred to as the University, the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 50,000 per commitment
Information Technology	\$ 50,000 per commitment
Consultant Services	\$ 50,000 per commitment
Construction Services	\$ 25,000 per commitment
Construction Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 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	\$ 200,000 per commitment
Information Technology	\$ 50,000 per commitment
Printing	\$ 100,000 per commitment
Consultant Services	\$ 200,000 per commitment
Construction Services	\$ 25,000 per commitment
Construction Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 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 the University and its related policies 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 January 1, 2001 through December 31, 2003 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, 2001 through December 31, 2003
- (2) Procurement transactions from the period January 1, 2001 through December 31, 2003 as follows:
 - a) Ninety-eight payments each exceeding \$1,500
 - b) A block sample of one hundred fifty nine purchase orders filed by vendor
 - c) Three months of procurement card activity from fiscal year 2002/2003
- (3) Six 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
- (5) Information technology plans for the audit period
- (6) Internal operating procurement procedures manual
- (7) Surplus property disposal procedures
- (8) File documentation and evidence of competition

RESULTS OF EXAMINATION

IDC Procurements and Delivery Orders

Winthrop's delivery orders awarded under Indefinite Delivery Contracts (IDCs) that exceeded their \$25,000 construction certification did not contain evidence that the Office of the State Engineer (OSE) had performed building code reviews. The State Engineer's Manual, Section 6.25 for Indefinite Delivery Contracts for Construction, item C. states, "The construction documents for any individual delivery order that has an estimated cost above the agency's construction certification shall be submitted to the OSE for building code review before award to the contractor."

We recommend the University include these approvals in their files.

We could not identify how some contractor's cost estimates related to the IDC contracts. Some cost estimates lacked evidence of application of the contractor's multiplier or cost plus pricing data used to determine IDC awards. The State Engineer's Manual, Appendix E, Part 2, Instructions for the use of Indefinite Delivery Contracting for Construction Services, item E2-5, paragraph A.1, states in part, "The bidder's multiplier will be used for pricing work to be assigned under this contract." Paragraph A.2 of that same section states in part, "The bid form shall list estimated quantities to be purchased and a description of the work to be priced. The bidders must supply the unit price...."

We recommend the University require IDC contractors to include evidence of application of the contractor's multiplier or cost plus pricing data in their price proposals.

Winthrop sometimes competes delivery orders among IDC contractors, but the files did not contain information supporting that competition had been solicited. The State Engineer's Manual, Appendix E, Part 2, Instructions for the use of Indefinite Delivery Contracting for Construction Services, item E2-8, paragraph D., states, "If the agency has awarded multiple (IDC) contracts, they shall use a method of providing each contractor a fair opportunity to be considered for being awarded work under the IDC. Time permitting, the agency may consider

the use of competitive bidding among the various IDC contractors for an individual delivery order."

We recommend the University include information in its files supporting efforts to comply with requirements of IDCs as defined by the Office of the State Engineer.

Procurements Without Competition

Five procurements were not supported by evidence of competition, sole source or emergency determinations, or exempt.

<u>Reference</u>	<u>Amount</u>	<u>Description</u>
P410153	\$1,608	Insurance
P301311	2,000	Consultant
P300408	6,174	Auto repairs
P410179	9,005	Signs
Voucher 2004934	4,000	Support service for inquiry project

The Code requires procurements greater than \$1,500, which are not exempt, to be competitively bid or justified as sole source or emergency procurements if applicable. The support service on voucher 200493 was paid as a check request rather than being processed through the Procurement Department. Because the procurement was not authorized by an appropriate procurement official, it was unauthorized as defined in Regulation 19-445.2015 and must be submitted for ratification in accordance with Regulation 19-445.2015.

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

Right to Protest Not in Solicitations

The following invitations for bids (IFBs) solicitations did not include the vendor's right to protest statement.

<u>Purchase Order</u>	<u>Description</u>	<u>IFB</u>
P201970	Furnish and install ceiling tile	201913TS
P200092	Printing	104159LC
P410720	Printing	400537LC
P201395	Printing	201137LC
P300012	Bedding and mattresses	202199TS
P201710	Sterilizer	201690TS

Section 11-35-1520 (10) requires the IFB contain a statement of a bidder's right to protest.

We recommend the University comply with the protest provision of the Code.

Overpayments

We noted two expenditures with overpayments.

<u>Voucher</u>	<u>Overpayment</u>	<u>Item</u>
1012126	\$125.53	Insurance
1014141	93.50	Freight

On voucher 1012126, the insurance was not authorized to be paid. On voucher 1014141, the purchase order stated the price included freight.

On another matter, voucher 2001571 in the amount of \$41,354 for printing services did not include sufficient information in the payment file to verify the appropriateness of the invoice, yet it was paid.

We recommend the University carefully review all invoices to ensure that charges match the purchase orders and are correct before they are paid.

Blanket Purchase Order Limits Exceeded

Blanket purchase orders (BPOs) establish a simplified method of filling anticipated needs by setting up charge accounts with vendors. These BPOs include terms and conditions identified in Regulation 19-445.2100 with one of them being the maximum dollar limit of each call. The following BPOs exceeded the maximum limit per call.

<u>Purchase Order</u>	<u>Voucher</u>	<u>Invoice</u>	<u>Limit Per Call</u>	<u>Amount Paid</u>
P100902	1009672	28665	\$ 4,000	\$4,459
P100902	1009672	28664	4,000	4,847
P100368	1010744	1546HB100	7,140	8,821

Since the charges exceeded the maximum limit per call authorized, the procurements were unauthorized as defined in Regulation 19-445.2015 and must be submitted for ratification in accordance with Regulation 19-445.2015.

We recommend the University comply with the maximum limit per call on BPOs.

Sole Source Reporting Errors

The following exempt items were unnecessarily reported as sole source procurements.

<u>Purchase Order</u>	<u>Description</u>	<u>Amount</u>
P301002	Software license renewal	\$ 2,400
P301074	Travel	1,899
P301575	Travel	4,251
P301650	Travel	3,050
P410114	Software license renewal	11,655
P410788	Travel	1,906
P411156	Software license renewal	2,760

Additionally, the University did not report an increase of \$3,000 on sole source purchase order P102330.

We recommend the University file amended reports for these transactions.

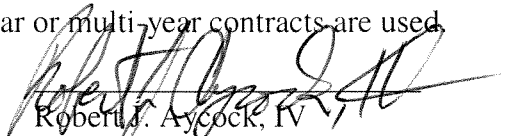
CERTIFICATION RECOMMENDATIONS

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, subject to this corrective action, we will recommend the University be re-certified 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	*\$200,000 per commitment
Information Technology	*\$ 50,000 per commitment
Printing	*\$100,000 per commitment
Consultant Services	*\$200,000 per commitment
Construction Services	\$ 25,000 per commitment
Construction Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

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


Robert F. Aycocock, IV
Audit Manager


Larry G. Sorrell, Manager
Audit and Certification



Procurement Services

307 Tillman, Rock Hill, SC 29733
803/323-2143 • 803/323-2480 (fax)

May 21, 2004

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

Dear Larry:

Subject: Winthrop University Procurement Audit Report

My staff and I have reviewed the content of the subject audit report for the period January 1, 2001 through December 31, 2003. Winthrop University's Procurement Office concurs with all findings, and we have implemented the recommendations contained in the report.

Please extend thanks to Jimmy and David for their expertise and professionalism. As always, it is a pleasure to work with you and your staff.

Very truly yours,

Robert L. Reid, Jr.
Director of Procurement

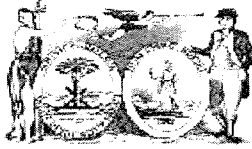
cc: J. P. McKee, Vice-President of Finance and Business

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

MARK SANFORD, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

RICHARD ECKSTROM
COMPTROLLER GENERAL



HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
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

May 24, 2004

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, 2001 – December 31, 2003. Also we have followed the University's corrective action during and subsequent to our fieldwork. We are satisfied that Winthrop 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 limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in cursive script that reads "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

Total Copies Printed	11
Unit Cost	.23
Total Cost	\$2.53