



**WINTHROP UNIVERSITY**

**PROCUREMENT AUDIT REPORT**

**JANUARY 1, 2014 – MARCH 31, 2017**

**Office of Audit & Certification**  
**Division of Procurement Services**  
**July 14, 2017**

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July 26, 2018

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1201 Main Street, Suite 600  
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Re: Winthrop University  
Procurement Examination  
Transmittal Letter

John:

We have examined the internal procurement policies and procedures of Winthrop University for the period January 1, 2014 through March 31, 2017 to determine whether, in all material respects, the internal controls of the University's procurement system were adequate to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

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

Sincerely,

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

## INTRODUCTION

We conducted an examination of Winthrop University's internal procurement operating policies and procedures, as outlined in their internal Procurement Operating Procedures Manual, under §11-35-1230(1) of the Consolidated Procurement Code and Reg. 19-445.2020. Our on-site review was conducted from June 20 through July 14, 2017.

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

The management of Winthrop 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.

## INTRODUCTION

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

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On June 17, 2014, the State Budget and Control Board granted Winthrop University the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies & Services	\$ 200,000 per commitment*
Consultant Services	\$ 200,000 per commitment*
Information Technology	\$ 200,000 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

During the audit, Winthrop requested the following increases in procurement certification:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies & Services	\$ 250,000 per commitment*
Consultant Services	\$ 250,000 per commitment*
Information Technology	\$ 250,000 per commitment*
Construction Contract Award	\$ 200,000 per commitment
Construction Contract Change Order	\$ 50,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 per amendment

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

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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 Winthrop’s compliance with the South Carolina Consolidated Procurement Code, for the period January 1, 2014 through March 31, 2017, the audit 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 audit period with exceptions noted in Section I.
- (2) Procurement transactions for the audit period, as follows:
  - a) Ninety eight payments each exceeding \$10,000 with exceptions noted in Section II
  - b) One hundred forty nine purchase orders reviewed against the use of order splitting and favored vendors with no exceptions
  - c) We sampled fifteen procurement card transactions for the period January 1 through December 31, 2013 with no exceptions
- (3) One large construction project, two small A&E contracts, and six construction indefinite delivery 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 of Small and Minority Business Assistance:

<u>Fiscal Year</u>	<u>Goal</u>		<u>Actual</u>
2013-2014	\$ 1,079,252	\$	115,050
2014-2015	\$ 887,526	\$	162,149
2015-2016	\$ 761,493	\$	40,542
2016-2017	\$ 774,498	\$	42,963*

\* This amount represents three quarters.

- (5) The most recent Information Technology Plan with no exceptions
- (6) Internal procurement procedures manual with no exceptions
- (7) Surplus property disposition procedures with no exceptions
- (8) Ratification of Unauthorized Procurements with no exceptions
- (9) Other tests performed as deemed necessary with no exceptions

**SUMMARY OF FINDINGS**

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Two procurements were not supported by solicitations of competition	
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We identified one ongoing quarterly payment for services totaling approximately \$61,000 executed as small purchases without competition	
<b>C. <u>Restrictive Specifications</u> .....</b>	<b>9</b>
Two procurements were conducted using narrowly defined specifications, resulting in only one offer each	

**Note:** The University’s responses to issues raised in this report have been inserted immediately following the recommendations in the body of the report.

## RESULTS OF EXAMINATION

### **I. Inappropriate Sole Source Procurements**

We tested sole source procurements made pursuant to §11-35-1560 of the Procurement Code to determine the appropriateness of the procurement actions and the accuracy of the quarterly reports submitted as required by §11-35-2440.

We noted the following procurements that were inappropriately made as sole sources:

<u>PO Date</u>	<u>PO Number</u>	<u>Description</u>	<u>Amount</u>
11/18/2015	P1600888	Software	\$ 20,300
2/6/2015	P1501268	Software	16,808
1/29/2016	P1601147	Software	11,570
2/8/2017	P1701286	Software	12,149

The first item was software used in conducting a football feasibility study. The University justified the determination saying the vendor was local and was the only source to offer the data in the format needed. The determination did not address why the software was unique or why the format offered by the vendor was the only one that would be effective. The other purchases were for spam detection and virus protection software. Specifications accurately representing the University's needs could be developed and competitively procured.

Code §11-35-1560 (B) states in part, "...Any decision by a governmental body that a procurement be restricted to one potential vendor must be accompanied by an explanation as to why no other will be suitable or acceptable to meet the need."

We recommend the University review and revise its procedures for conducting sole source procurements to ensure that such determinations are appropriately justified. We recommend the University develop specifications and solicit competition for these types of items.

### UNIVERSITY RESPONSE

Winthrop University (Winthrop) concurs. Sole source procurements will be appropriately justified/documented including advertisement in SC Business Opportunities (SCBO) as an "Intent to Sole Source" when appropriate. In cases of reasonable doubt, Winthrop will develop



## RESULTS OF EXAMINATION

specifications, solicit competition and advertise in SCBO for these and other items and services in accordance with the SC Consolidated Procurement Code.

### **II. Supplies and Services**

#### **A) Procurement Not Competed**

The following procurements were not supported by solicitations of competition:

<u>PO Number</u>	<u>PO Date</u>	<u>Description</u>	<u>Amount</u>
P1601100	1/21/2016	Predictive modeling	\$ 123,106
P1501175	1/12/2015	Predictive modeling	\$ 119,521

Predictive modeling involves identifying and qualifying likely prospective students that would be interested in attending the University. The vendor attempts to qualify each prospect via telephone and email, and designing, printing, and mailing recruitment materials. This type of service is subject to the procurement code and should be competed. The University incorrectly classified these procurements as exempt.

Per Code §11-35-1520, "Contracts greater than \$50,000 must be awarded by competitive sealed bidding...."

We recommend the University review and revise its procurement procedures to ensure compliance with the competition requirements of the Procurement Code.

### UNIVERSITY RESPONSE

Winthrop concurs. Contracts greater than \$50,000 will be solicited and awarded in accordance with the SC Consolidated Procurement Code.

## RESULTS OF EXAMINATION

### **B) Artificially Divided Procurement**

Our review of procurement identified the following artificially divided procurement.

<u>PO Number</u>	<u>Time period</u>	<u>Description</u>	<u>Amount</u>
P1600022	7/10/2015 to 9/30/2015	Cleaning services	\$ 3,510
P1600530	9/1/2015 to 12/31/2015	Cleaning services	9,262
P1601058	1/4/2016 to 3/31/2016	Cleaning services	9,262
P1601396	4/1/2016 to 4/30/2016	Cleaning services	3,120
P1601518	5/1/2016 to 6/30/2016	Cleaning services	6,240
P1700302	7/1/2016 to 9/30/2016	Cleaning services	9,945
R1700742	10/1/2016 to 12/31/2016	Cleaning services	9,945
P1701111	1/1/2017 to 3/31/2017	Cleaning services	9,945

The University issued new purchase orders approximately every quarter for an amount just under \$10,000. The purchase orders were issued to the same vendor, from July 2015 through March 2017, with a total value of \$61,229. Code §11-35-1520 requires contracts greater than \$50,000 be awarded by competitive sealed bidding. Additionally, Code §11-35-1550(1) states in part, “procurement requirements must not be artificially divided by governmental bodies so as to constitute a small purchase....” Since the purchase orders demonstrated an ongoing need for this service, it should have been considered in the aggregate and competition solicited.

We recommend the University anticipate procurement requirements. Like procurements should be combined and the required levels of competition solicited.

### UNIVERSITY RESPONSE

Winthrop concurs. Like procurements will be combined and solicited in accordance with the SC Consolidated Procurement Code.

## RESULTS OF EXAMINATION

### **C) Restrictive Specifications**

PO# P1600670, dated October 5, 2015, for \$61,294, was for theater lights and accessories. The solicitation's specifications (IFB 16-1600464/TS) required the successful offeror to be an authorized dealer of the brand specified and have a full time service technician within a thirty mile radius of the University. No substitutions were allowed.

PO #P150068, dated July 2, 2014, for \$13,692, was for various janitorial supplies. The items specified in the solicitation (RFQ 15-R1401894/TS) were a local company's brand name. The solicitation did not allow substitutions. Additionally, we did not find evidence the solicitation had been advertised in South Carolina Business Opportunities as required by Code §11-35-1550.

In both cases only one offer was received. Section 11-35-2730 of the Procurement Code states, "All specifications shall be drafted so as to assure cost effective procurement of the state's actual needs and shall not be unduly restrictive." Additionally, Reg. 19-445.2140(D) states, "It is the general policy of this State to procure standard commercial products whenever practicable. In developing specifications, accepted commercial standards shall be used and unique requirements shall be avoided, to the extent practicable." The University's application of these restricted specifications limited vendor competition and should have been avoided.

We recommend the University adhere to §11-35-2730 of the Procurement Code and Reg. 19-445.2140 regarding the development of specifications to ensure actual needs are met without being unduly restrictive.

### UNIVERSITY RESPONSE

Winthrop concurs. Winthrop will develop specifications along with the program area in accordance with the SC Consolidated Procurement Code to ensure that actual needs are being met without being unduly restrictive.

**CERTIFICATION RECOMMENDATION**

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects, place the University in compliance with the South Carolina Consolidated Procurement Code.

Under the authority described in §11-35-1210 of the Consolidated Procurement Code, we recommend that Winthrop University be recertified to make direct agency procurements for three years up to the following limits:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies & Services	*\$ 250,000 per commitment
Consultant Services	*\$ 250,000 per commitment
Information Technology	*\$ 250,000 per commitment
Construction Contract Award	\$ 200,000 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.

  
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D. Crawford Milling, CPA, CGMA  
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