

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

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MATERIALS MANAGEMENT OFFICE  
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COLUMBIA, SOUTH CAROLINA 29201  
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

August 26, 2003

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 Lander 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 the 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

/jl

**LANDER UNIVERSITY  
PROCUREMENT AUDIT REPORT  
JULY 1, 2000 - MARCH 31, 2003**

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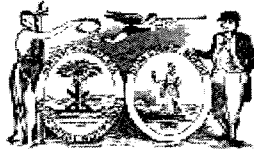
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

July 30, 2003

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 July 1, 2000 through March 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 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 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 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 June 2 through June 20, 2003 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 February 13, 2001, the State Budget and Control Board granted Lander 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
Consultant Services	\$50,000 per commitment
Information Technology	\$50,000 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	\$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

## 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 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 July 1, 2000 through March 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 July 1, 2000 through March 31, 2003
- (2) Procurement transactions for the period July 1, 2000 through March 31, 2003 as follows:
  - a) Ninety-seven payments each exceeding \$1,500
  - b) Two hundred and eight purchase orders reviewed for order splitting and favored vendors
  - c) Five additional purchase orders from FY 03
- (3) Two construction contracts and two 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 procurement procedures manual
- (7) File documentation and evidence of competition
- (8) Surplus property disposal procedures

## RESULTS OF EXAMINATION

### Artificially Divided Procurement

Four procurement card purchases from one department should have been combined and competition solicited on the total value of \$5,893.24.

<u>Date</u>	<u>Description</u>	<u>Amount</u>
2/06/03	19 each koch faucets	\$1,473.31
2/17/03	19 each koch faucets	1,473.31
2/27/03	19 each koch faucets	1,473.31
3/10/03	19 each koch faucets	<u>1,473.31</u>
	Total	<u>\$5,893.24</u>

Section 11-35-1550(1) of the Code states, in part, “procurement requirements must not be artificially divided by governmental bodies so as to constitute a small purchase.” A requisition for the items should have been prepared and submitted to the Procurement Department rather than being procured with the procurement card.

We recommend the University monitor the procurement card statements for evidence of artificially dividing orders.

### Inappropriate Sole Source Procurements

The following sole source procurements did not meet the criteria of a sole source as defined in Section 11-35-1560 and Regulation 19-445.2105.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
135654	7/09/01	Recruiting services consultant	\$10,932
135161	4/23/01	Recruiting services consultant	2,000
136685	2/06/02	Sound and lighting for dance	1,850

We recommend the University solicit competition for these types of items.

### Procurement Without Competition

Purchase order 134278 totaling \$81,956, for the repair of water damage and structural drying from a dorm water leak, lacked evidence of competition, sole source or emergency determination. The University thought incorrectly that the procurement was exempt from the Code because the State Insurance Reserve Fund reimbursed the University for the repair. Since



the total value of the award exceeded the University's procurement authority of \$50,000, the procurement is unauthorized as defined in Regulation 19-445.2015.

We recommend the University comply with the competition requirements of the Code for repairs that are reimbursed by insurance proceeds. The University must request ratification of the unauthorized procurement from the Materials Management Officer in accordance with Regulation 19-445.2015.

Award Statements Did Not Contain Posting Dates

The University did not include the posting date as required by Section 11-35-1520(10) on two award statements.

<u>Solicitation</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
M0006-VWS-6/12/02	5/22/02	Fiberglass columns	\$45,500
M00011-VWS-8/28/02	8/08/02	Bus charter	36,276

The posting date defines the time limit for the filing of a protest, if applicable, on the award.

We recommend the University include the posting date on each award statement.

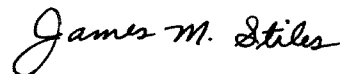
**CERTIFICATION RECOMMENDATIONS**

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

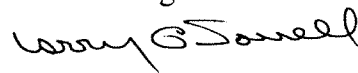
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the University be recertified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	*\$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

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



James M. Stiles, CPPB  
Audit Manager



Larry G. Sorrell, Manager  
Audit and Certification



Office of Procurement Services

August 21, 2003

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

Dear Mr. Sorrell:

My staff and I have reviewed the procurement audit report for Lander University for the period of July 1, 2000 – March 31, 2003, and we concur with the results and 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.

As always, we appreciate the professionalism exhibited by you and your staff while performing the procurement audit at Lander. Please express our thanks to both Mr. Jim Stiles and Mr. David Rawl for their expertise and support. Because of their efforts, we have taken this opportunity to capitalize on our strengths and improve on our weaknesses.

Sincerely,

Diane W. Weathers, CPPB  
Director, Procurement Services

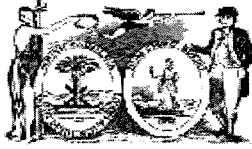
c: Blair Willingham, Interim Vice-President for  
Business and Administration

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

August 26, 2003

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 the Lander University to our audit report for the period of July 1, 2000 – March 31, 2003. Also we have followed the University's corrective action during and subsequent to our fieldwork. We are satisfied that the 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 the 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/jl

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