

**WINTHROP UNIVERSITY**  
**PROCUREMENT AUDIT REPORT**  
**JANUARY 1, 2004 – DECEMBER 31, 2006**

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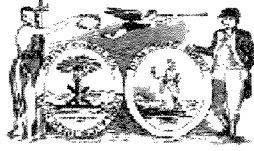
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

May 23, 2007

Mr. R. Voight Shealy  
Materials Management Officer  
Procurement Services Division  
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, 2004 through December 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 established a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code, State regulations and procurement policy of the University. Additionally, the evaluation determined 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 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 one condition enumerated in this report which we believe needs correction or improvement. Corrective action based on the recommendation described in these findings will in all material respects place Winthrop 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 Winthrop University. Our review, conducted April 18, 2007 through May 22, 2007, 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 15, 2004, 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	\$ 200,000 per commitment
Consultant/Contractual Services	\$ 200,000 per commitment
Information Technology	\$ 50,000 per commitment
Printing	\$ 100,000 per commitment
Construction Services	\$ 25,000 per commitment
Construction Contract 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. The University requested the following increased certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 200,000 per commitment
Consultant/Contractual Services	\$ 200,000 per commitment
Information Technology	\$ 200,000 per commitment
Printing	\$ 200,000 per commitment
Construction Services	\$ 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 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 samples for the period January 1, 2004 through December 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 January 1, 2004 through December 31, 2006
- (2) Procurement transactions for the period January 1, 2004 through December 31, 2006 as follows:
  - a) Ninety-nine payments each exceeding \$1,500 supported by purchase orders
  - b) One hundred seventy-nine alphabetically filed purchase orders reviewed against the use of order splitting and favored vendors
- (3) Two construction contracts, twelve indefinite delivery construction contracts, three indefinite delivery Architect/Engineer contracts, and two Architect/Engineer contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Procurement card transactions for August and September of 2006
- (5) Minority Business Enterprise Plans and reports for the audit period
- (6) Approval of the most recent Information Technology Plan
- (7) Internal procurement procedures manual
- (8) File documentation and evidence of competition
- (9) Surplus property disposal procedures

## RESULT OF EXAMINATION

### Blanket Purchase Agreements

Winthrop uses Blanket Purchase Agreements (BPAs) authorized in Regulation 19-445.2100 (B) for managing small purchases of miscellaneous items. We noted some instances where BPAs did not comply with the Regulation or where Winthrop failed to adhere to stipulated BPA terms addressed on the purchase orders.

Purchase order P610522 issued in the amount of \$6,750 for the service, maintenance and purchase of portable fire extinguishers failed to include a limit per purchase. Regulation 19-445.2100 (B)(c) requires that the dollar limitation per call for each individual shall be furnished to the supplier.

Purchase order P710035 issued for landscaping materials in the amount of \$10,000 established a limit per call of \$1,500. We noted instances where Winthrop exceeded this limit. In the first instance, the vendor issued two tickets for one purchase. Ticket number 1472 for flowers was dated July 3, 2006 in the amount of \$1,375. Ticket number 1477 for flowers was dated July 4, 2006 in the amount of \$1,256. Because the total purchase of \$2,631 (\$1,375 + \$1,256) exceeded the \$1,500 limit per call established in the BPA, the transaction was unauthorized as defined in Regulation 19-445.2015.

On the same purchase order, Winthrop ordered flowers for the street signs on two delivery tickets amounting to \$3,316. Because the purchase exceeded the \$1,500 limit per call established in the BPA, the transaction was unauthorized as defined in Regulation 19-445.2015.

Purchase order 710894 issued for cleaning services established a limit per call of \$5,000. Voucher 703092 paid an invoice in the amount of \$5,886 against that BPA. Because the purchase exceeded the \$5,000 limit per call established in the BPA, the transaction was unauthorized as defined in Regulation 19-445.2015.

We recommend Winthrop adhere to BPA limits noted on the purchase order. The University must submit a ratification request for the unauthorized procurements in accordance with Regulation 19-445.2015.

**CERTIFICATION RECOMMENDATIONS**

As enumerated in our transmittal letter, corrective action based on the recommendation, described in this report, we believe, will in all materials respects place the Winthrop University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

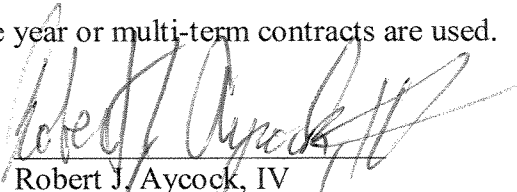
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend Winthrop University be re-certified to make direct agency procurements for three years up to the limits as follows.


PROCUREMENT AREAS

RECOMMENDED CERTIFICATION LIMITS

Goods and Services	*\$ 200,000 per commitment
Consultant/Contractual Services	*\$ 200,000 per commitment
Information Technology Including Printing	*\$ 200,000 per commitment
Construction Services	\$ 100,000 per commitment
Construction Contract Change Order	\$ 50,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 per amendment

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

  
Robert J. Aycock, 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 24, 2007

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, 2004 through December 31, 2006. Winthrop University's Procurement Office concurs with all findings, and we have implemented the recommendations contained in the report.

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

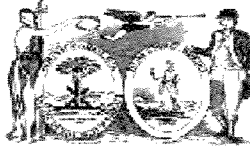
Very truly yours,

Robert L. Reid, Jr.  
Director of Procurement

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

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*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

May 24, 2007

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, 2004 to December 31, 2006. 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 area 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/gs

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