

WINTHROP UNIVERSITY

PROCUREMENT AUDIT REPORT

JANUARY 1, 2011 – DECEMBER 31, 2013

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May 14, 2014

Mr. R. Voight Shealy
Materials Management Officer
Division 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, 2011 through December 31, 2013. As part of our examination, we studied and evaluated the system of internal controls over procurement transactions to the extent we considered necessary.

The evaluation established a basis for reliance upon the system of internal controls to assure adherence to the Consolidated Procurement Code, State regulations and the procurement policies of Winthrop 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 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 a system of internal controls 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 those transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal controls, 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 controls 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.

Based on the testing performed as outlined in the Scope section of this report, our examination did not reveal any material findings.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV". The signature is written in a cursive style with a large, stylized initial "R".

Robert J. Aycock, IV, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Winthrop University. We conducted our on-site review from January 13 through March 12, 2014. Our review was made under Section 11-35-1230(1) of the Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the Consolidated Procurement Code and its ensuing regulations.

On January 29, 2013 the State Budget and Control Board reduced Winthrop University's procurement certifications to the following levels.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies & Services	\$ 100,000 per commitment
Consultant Services	\$ 100,000 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

Our audit was performed primarily to determine if Winthrop University's certifications should be restored to its previous levels. Those certification levels were as follows:

<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 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 Winthrop 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 January 1, 2011 through December 31, 2013 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate our 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, 2011 through December 31, 2013 with no exceptions
- (2) Procurement transactions for the period January 1, 2013 through December 31, 2013 as follows:
 - a) Thirty-five payments each exceeding \$10,000 with no exceptions
 - b) Seven hundred thirty-five sequentially filed purchase orders reviewed against the use of order splitting and favored vendors with no exceptions
 - c) We sampled thirteen procurement card transactions for the period January 1 through December 31, 2013 with no exceptions
- (3) Three professional service indefinite delivery contracts and four 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 the following activity reported to The Governor's Office of Small and Minority Business Assistance:

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
2011-2012	\$1,193,768	\$ 17,481
2012-2013	\$1,053,520	\$147,790
2013-2014 ¹	\$ 539,626	\$ 53,487

¹ \$53,487 represents expenditures with certified minority vendors for the first two quarters (July 1, 2013 – September 30, 2013 and October 1, 2013 – December 31, 2013) of the fiscal year.

- (5) Approval of 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) File documentation and evidence of competition with no exceptions
- (10) Other tests performed as deemed necessary with no exceptions

RESULTS OF EXAMINATION

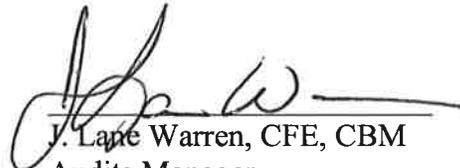
Our examination revealed no material findings.

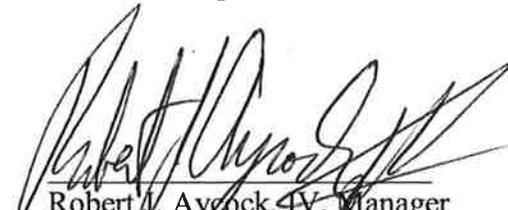
CERTIFICATION RECOMMENDATIONS

Under the authority described in Section 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 limits as follows:

<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 Services	\$ 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.


J. Lane Warren, CFE, CBM
Audits Manager


Robert J. Aycock, IV, Manager
Audit and Certification



WINTHROP
UNIVERSITY

Purchasing Services

May 29, 2014

Mr. Robert J. Aycock, IV, Manager
Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

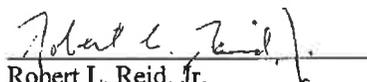
Dear Jimmy:

Subject: Winthrop University Procurement Audit Report

My staff and I have reviewed the content of the subject audit report for the period January 1, 2011 through December 31, 2013. Winthrop University's Procurement Office concurs with this report.

Please extend thanks to Lane and Mac 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


JP McKee
Vice President for Finance and Business