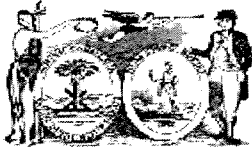


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PROCUREMENT SERVICES DIVISION

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MATERIALS MANAGEMENT OFFICE  
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COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-0600  
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

April 29, 2005

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

Sincerely,

A handwritten signature in cursive script that reads "R. Voight Shealy".

R. Voight Shealy  
Materials Management Officer

/jl

**CLEMSON UNIVERSITY**  
**PROCUREMENT AUDIT REPORT**  
**JANUARY 1, 2002 - DECEMBER 31, 2004**

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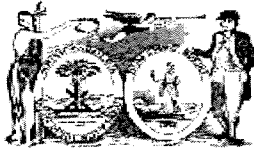
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

March 30, 2005

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 Clemson University for the period January 1, 2002 through December 31, 2004. 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 South Carolina Consolidated Procurement Code, State regulations, and the University's procurement policy. 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 Clemson 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 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 Clemson University in compliance with the South Carolina 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 Clemson University. Our review was conducted January 13, 2005 through February 9, 2005 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.

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

On May 7, 2002, the Budget and Control Board granted Clemson University the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	\$ 225,000 per commitment
Information Technology	\$ 225,000 per commitment
Consultant Services	\$ 225,000 per commitment
Revenue Generating Management Services	\$10,000,000 per commitment
Construction Contract Award	\$ 500,000 per commitment
Construction Contract Change Order	\$ 500,000 per change order
Architect/Engineer Contract Amendment	\$ 50,000 per amendment

Our audit was performed primarily to determine if re-certification is warranted. Additionally, the University requested the following certification increases.

PROCUREMENT AREAS

REQUESTED CERTIFICATION LIMITS

Goods and Services	\$ 1,000,000 per commitment
Information Technology	\$ 1,000,000 per commitment
Consultant Services	\$ 1,000,000 per commitment
Revenue Generating Management Services	\$ 15,000,000 per commitment
Construction Contract Award	\$ 2,000,000 per commitment
Construction Contract Change Order	\$ 25% of initial construction contract aggregate amount
Architect/Engineer Contract Amendment	\$ 25% of initial Architect/Engineer contract aggregate amount

## 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 Clemson 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 a judgmental sample for the period July 1, 2002 through December 31, 2004 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. 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, 2002 through December 31, 2004
- (2) Procurement transactions for the period July 1, 2002 through December 31, 2004 as follows:
  - a) Ninety seven payments each exceeding \$1,500
  - b) A block sample of three hundred purchase orders to test against use of favored vendors and splitting of orders
  - c) Additional sample of six formal bids
  - d) Five formal revenue generating bids
  - e) Procurement card transactions for October of 2004
- (3) Five construction contracts and four professional service contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports
- (5) Approval of the most recent Information Technology Plan
- (6) Internal procurement procedures manual
- (7) Surplus property disposal procedures
- (8) Blanket purchase agreements
- (9) File documentation and evidence of competition



## RESULTS OF EXAMINATION

### Preferences for Made, Manufactured or Grown in South Carolina or the United States

Four solicitations for services included the preferences for made, manufactured or grown in South Carolina or the United States.

<u>Solicitation</u>	<u>Description</u>	<u>Date</u>
1129	Charter buses	3/13/02
1348	Pest Control	4/18/02
1485	Labor for tile work	5/09/02
4067	Liability insurance	7/13/04

Section 11-35-1524 of the Code defines the preferences for resident vendor plus the preferences for items made, manufactured, or grown in South Carolina or the United States. The preferences for made, manufactured or grown in South Carolina or the United States do not apply for the services noted above. The application of these preferences did not have an effect on the above awards.

We recommend the University not include the preference for made, manufactured or grown in South Carolina or the United States in the solicitations for services.

**CERTIFICATION RECOMMENDATIONS**

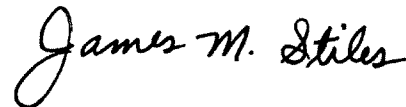
As enumerated in our transmittal letter, corrective action based on the recommendation described in this report, we believe, will in all material respects place Clemson University in compliance with the Consolidated Procurement Code.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend Clemson 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	*\$ 1,000,000 per commitment
Information Technology	*\$ 1,000,000 per commitment
Consultant Services	*\$ 1,000,000 per commitment
Revenue Generating Management Services	*\$ 15,000,000 per commitment
Construction Contract	**\$ 2,000,000 per commitment
Construction Contract Change Order	\$ 25% of initial construction contract aggregate amount
Architect/Engineer Contract Amendment	\$ 25% of initial Architect/Engineer contract, aggregate amount

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

\*\* Construction certification applies only to acquisitions by competitive sealed bidding (IFB), using a design-bid-build project delivery method. Prequalification on a contract with a total potential value above \$100,000 must be approved in writing by the State Engineer. Compliance with the Manual for Planning and Execution of State Permanent Improvement Projects, Part II, is required.



---

James M. Stiles, CPPB  
Audit Manager



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Larry G. Sorrell, Manager  
Audit and Certification

# CLEMSON

U N I V E R S I T Y

April 29, 2005

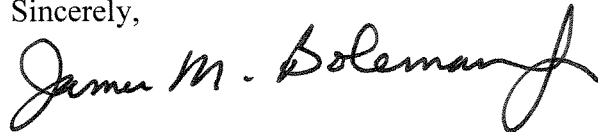
Mr. Larry Sorrell, Director  
Audit and Certification  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, SC 29201

Dear Larry:

I have reviewed the proposed recommendations for Clemson University's procurement recertification. While I am very pleased with most of the categories, I am disappointed that there was no increase in certification for the Information Technology area. Considering the results of your audit and the past performance of Clemson University Procurement Services in the Information Technology area, I feel that an increase is justifiable. I am not aware of any situations in this area where Clemson University, when provided all the facts in a timely manner, has not performed in a professional manner and in accordance with the South Carolina Consolidated Procurement Code. Therefore, I am requesting reconsideration of our original request of \$1,000,000 certification in the Information Technology area.

I appreciate your assistance in this matter. Should you have any questions, please contact me at 864-656-2067.

Sincerely,



James M. Boleman, Jr.  
Director of Procurement Services



PROCUREMENT SERVICES

Administrative Services Building Silas Pearman Boulevard Box 345365 Clemson, SC 29634-5365

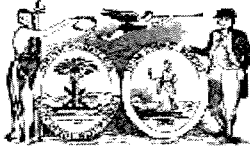
864.656.2390 FAX 864.656.2394 [www.clemson.edu/procurement](http://www.clemson.edu/procurement)

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MATERIALS MANAGEMENT OFFICER

April 29, 2005

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 Clemson University to our audit report for the period of January 1, 2002 – December 31, 2004. Also we have followed the University's corrective action during and subsequent to our fieldwork. We are satisfied that Clemson 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 Clemson University the certification limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Larry G. Sorrell'.

Larry G. Sorrell, Manager  
Audit and Certification

LGS/jl

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