

**MIDDLE TENNESSEE STATE UNIVERSITY  
HOUSING DEPARTMENT**

**VIOLATIONS OF PURCHASING POLICY AND PROCEDURES  
SEPTEMBER 1995**

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September 27, 1995

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Dr. James E. Walker, President  
Middle Tennessee State University  
Murfreesboro, Tennessee 37132

Ladies and Gentlemen:

Transmitted herewith is a special report on the Office of the Comptroller of the Treasury, Division of State Audit's investigation of the failure of Middle Tennessee State University housing employees to follow Tennessee Board of Regents purchasing guidelines. The investigation was initiated on November 11, 1994, following allegations from a former university employee against Mr. Ivan Shewmake, former Director of Housing and current Student Ombudsman. We determined that Mr. Shewmake directed university employees to split invoices for small purchases in order to avoid purchasing requirements, violated purchasing policy and procedures by failing to solicit bids for renovation projects, and apparently directed a private contractor to submit incorrect invoices to conceal the violation. Although we did not find any direct evidence of any personal gain from these activities, the director of housing's disregard for maintaining policy increased the likelihood that resources could be misused.

The report also includes allegations which university officials reviewed. The university's findings revealed that housing department staff failed to properly account for funds provided by a washing machine vendor and maintained these funds without establishing an authorized petty cash fund with the university business office. The university also determined that this vendor had funded an annual social involving housing personnel. To avoid the appearance of a conflict of interest, the university has recommended the event be discontinued.

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Page Two

Finally, this report includes the Division of State Audit's recommendations to top management and to university housing management regarding their responsibility for establishing and maintaining policy and internal controls over housing transactions. The Division of State Audit will follow up the investigation to examine the application of procedures instituted as a result of this report.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/rah

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

**Special Report**  
**Middle Tennessee State University**  
**Housing Department**  
**Violations of Purchasing Policy and Procedures**  
September 1995

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## **REVIEW OBJECTIVES**

The objectives of the investigation were to determine the nature and extent of violations of the Tennessee Board of Regents' (TBR's) purchasing policy and procedures; to review the findings and recommendations of the university officials; and to notify university and TBR officials of our findings and recommend appropriate actions to correct any deficiencies.

## **RESULTS OF THE REVIEW**

The investigation was initiated on November 11, 1994, following allegations from a former Middle Tennessee State University employee against Mr. Ivan Shewmake, former Director of Housing and current Student Ombudsman. We determined that Mr. Shewmake directed university employees to split invoices for small purchases in order to avoid purchasing requirements, violated purchasing policy and procedures by failing to solicit bids for renovation projects, and apparently directed a private contractor to submit incorrect invoices to conceal the violation. Although we did not find any direct evidence of any personal gain from these activities, the director of housing's disregard for maintaining policy increased the likelihood that resources could be misused.

From our review of invoices submitted by the private contractor and the related payments to him by the university, we determined that the contractor was paid \$54,424.66 under a contract limited to \$15,750.00. Of these payments, it could not be determined what services the contractor had provided, if any, for \$17,771.66.

Similar violations involving Mr. Shewmake and other housing staff had previously been disclosed in a report by the university's internal audit department dated February 16, 1993. According to the report, housing staff circumvented payroll and purchasing policies and procedures and maintained an unauthorized petty cash fund. Apparently, university management did not take disciplinary action against Mr. Shewmake.

In November 1994, the university also investigated allegations involving the housing department and a washing machine vendor. The university found that housing department staff had failed to properly account for funds provided by a washing machine vendor and had maintained these funds without establishing an authorized petty cash fund with the university business office. The university also determined that this vendor had funded an annual social involving housing personnel. To avoid the appearance of a conflict of interest, the university recommended that the event be discontinued. In evaluating the university's investigation of the issues involving this vendor, we determined that their findings and recommendations were adequately supported and reasonable.

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"Audit Highlights" is a summary of the special report. To obtain the complete special report, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

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Middle Tennessee State University  
Housing Department  
Violations of Purchasing Policy and Procedures  
September 1995

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Middle Tennessee State University  
Housing Department  
Violations of Purchasing Policy and Procedures  
September 1995

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**INTRODUCTION**

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On November 11, 1994, Mr. Dan Sinclair, a former Middle Tennessee State University (MTSU) employee, contacted the Division of State Audit alleging that Mr. Ivan Shewmake, MTSU Director of Housing, had violated the Tennessee Board of Regents' purchasing policy and procedures during 1990 and directed employees, as recently as 1994, to make purchases which circumvented the policy and procedures. His allegations included the following: (1) Mr. Shewmake directed employees to split invoices so that the housing department could avoid soliciting bids; (2) Mr. Shewmake failed to solicit bids for renovations to Sims Residence Hall in 1990; (3) Mr. Shewmake directed the contractor who renovated the hall to perform work other than that described in an existing contract and to submit invoices that gave the appearance that the work performed was within the scope of the contract; (4) a washing machine vendor who was contracting with the housing department had been funding an annual social event which was attended by housing personnel and students; and (5) funds provided to the housing department by the washing machine vendor were not properly accounted for by housing staff. We investigated the first three allegations; the fourth had already been investigated by university officials, and the fifth was investigated by university officials after the employee came to us with the allegations.

**Objectives of the Review**

The objectives of the review were

1. to determine the extent of violations of the Tennessee Board of Regents' (TBR's) purchasing policy and procedures;
2. to review the findings and recommendations of the university officials; and
3. to notify university and TBR officials of our findings and recommend appropriate actions to correct any deficiencies.

## **Scope of the Review**

Our review included interviews with Mr. Shewmake; Mr. Sinclair, former Associate Director of Housing; Mr. Charlie Johnson, Housing Area Coordinator; Mr. Bill Reynolds, former dry wall contractor; Mr. Joe Hugh, Purchasing Director; Dr. Robert LaLance, Jr., Vice President for Student Affairs; Ms. Brenda Burkhart, Director of Internal Audit; Ms. Joyce Vaughn, Director of Camps and Workshops; Mr. Richard Smith, Associate Director of Housing; Ms. Bernice Hughes, Associate Director of Housing; Mr. Mark Ross, Area IV Coordinator; and various other contractors doing business with the university. Our review also included an examination of invoices from Lowe's Home Centers, Inc., for fiscal year 1990, invoices from Mr. Reynolds regarding a 1990 dry wall contract for Monohan Hall, university check registers for disbursements in 1990, and the contract with Mr. Reynolds. In addition, we reviewed invoices from fiscal year 1995 to determine whether the alleged activities were ongoing.

## **Background**

Prior to our investigation, Mr. Shewmake had been involved in allegations similar to those referred to us in November 1994. A report by the university's internal audit department dated February 16, 1993, disclosed that the housing department had maintained unauthorized petty cash funds in a department safe. According to the report, Mr. Shewmake had obtained the funds from roofing contractors whose negligence had apparently contributed to water damage to the interiors of several residence halls. Apparently, he settled with the contractors for the damages without seeking guidance from top management or the legal staff of the university. He collected over \$4,000 from the contractors, from which he paid approximately \$1,500 to the students for cleaning floors and walls, \$200 to the students to replace personal property that was damaged, \$400 for the purchase of supplies to repair the roof, and \$1,000 for the purchase of a camcorder, which he did not include in the housing department's equipment inventory. The remaining funds were kept in the department safe. (Following the report, the funds were submitted to the business office and the camcorder was placed on the department's inventory listing.)

The report concluded that the cash payments to the students circumvented the student payroll procedures and the camcorder purchase violated purchasing procedures. In light of these violations, the report recommended that management consider disciplinary actions.

Apparently, management did not take disciplinary action against Mr. Shewmake. Mr. Shewmake's personnel file indicates that on November 5, 1992, before the internal audit report was distributed to university officials and the Tennessee Board of Regents, Mr. Shewmake had received written notice to comply with all university and TBR policies and procedures. This notification was included in Mr. Shewmake's evaluation in November 1992. His performance rating was apparently reduced slightly in one area to reflect his lack of judgment with respect to these violations; however, no disciplinary action was recorded as having been taken.

Recently, a personnel change was made concerning Mr. Shewmake's position as Director of Housing. According to an interoffice memorandum dated July 13, 1995, from Dr. Robert

LaLance, Jr., Vice President for Student Affairs, to members of the MTSU community, Mr. Shewmake would leave his position as Director of Housing and assume the newly created position of Student Ombudsman effective July 17, 1995. To date, the position of Director of Housing has not been refilled.

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## **DETAILS OF THE REVIEW**

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### **The University's Review of Allegations**

Dr. LaLance reviewed the allegation that the contract between the housing department and a washing machine vendor had been compromised. Mr. Sinclair had alleged that the vendor had been funding an annual social event which was attended by housing personnel and students and that the contract with the vendor had been compromised because housing personnel were involved in the selection of the vendor. In a November 14, 1994, memo to Dr. James Walker, MTSU President, Dr. LaLance concluded that the contract with the laundry service vendor had not been compromised because purchasing personnel rather than housing personnel had been involved in the awarding of the contract. However, Dr. LaLance recommended that staff discontinue any involvement in events hosted or funded by the vendor.

The other allegation against the housing department and the washing machine vendor was investigated by Ms. Brenda Burkhart, Director of Internal Audit at MTSU. Mr. Sinclair had alleged that the vendor provided the housing department \$800 in coins to wash mattress covers in the vendor's coin-operated machines and that the housing department did not properly account for the money. Ms. Burkhart's report, dated July 27, 1995, concluded that housing personnel failed to properly account for these funds provided by the vendor and maintained these funds without establishing an authorized petty cash fund with the business office. Because of the lack of accountability for these cash funds, it could not be determined whether any staff members had personally benefited. Ms. Burkhart recommended that stronger internal controls over the housing funds be implemented and that an authorized account be established by the business office for these funds. She also recommended that other provisions be considered for the washing of mattress covers and that the vendor not fund this activity with cash.

### **The Division of State Audit's Review of Allegations**

We reviewed the findings and recommendations of Dr. LaLance and Ms. Burkhart noted above. Their findings appeared to be adequately supported and their recommendations reasonable.

We also reviewed the other allegations against the housing director and found the following.

## The Housing Director Instructed Employees to Split Invoices

According to Mr. Sinclair, for several years, Mr. Shewmake directed his subordinates to make purchases in dollar amounts below the Tennessee Board of Regents' specified bid limits to avoid having to obtain bids.

According to TBR Policy 4:02:10:00, Purchasing Policy and Procedures, until late 1992 the maximum purchase the president or his designee could authorize without obtaining bids was \$300. University employees were required to solicit telephone or written bids from at least three qualified vendors for purchases over these amounts. In late 1992, the board revised this policy to \$500.

In interviewing two former employees of the Housing Department, we found Mr. Shewmake had instructed them to circumvent purchasing procedures by splitting invoices. In addition, two current MTSU employees told us that they had been directed by Mr. Shewmake on several occasions to make several small purchases instead of one large purchase to avoid obtaining bids. Our review of the invoices confirmed their statements. The following invoices were split for fiscal years 1990 and 1995.

### *1990 Split Invoice*

We noted one instance of invoice splitting in fiscal year 1990. A contractor, Mr. Bill Reynolds, had submitted four invoices to Mr. Shewmake for his approval, for \$290, \$290, \$290, and \$130, for hanging dry wall on March 20, March 22, March 23, and March 26, 1990, respectively. All four of the related payment authorizations were signed by Mr. Shewmake. Because the invoices were all submitted within one week, were all submitted for similar work on one project, and three of the four invoice amounts were just below the approval limit for bids, it appears that Mr. Shewmake split a \$1,000 transaction into four transactions to circumvent the \$300 limit and thereby avoid requesting bids from other contractors.

### *1995 Split Invoices*

We reviewed the fiscal year 1995 expenditure listings for the Department of Housing's five accounts and noted that 29 groups of purchases totaling \$26,056.24 were made in small quantities, again, apparently to circumvent the bidding process. These purchases had been made by a number of housing employees. One of the 29 groups of purchases included three invoices for \$373.40 each for window blinds purchased from the same vendor, Discount Blinds Direct, on August 3, August 9, and August 11, 1994. Another group included four invoices dated August 17, 1994, from Stewart Lumber Company for the purchase of 60 smoke alarms. The total price of the alarms was \$1,318.40. The other 27 groups contained similar invoice splitting. All the payment authorizations were signed by Mr. Shewmake.

Mr. Shewmake was interviewed on March 24, 1995, and stated that as recently as the beginning of 1994 he had instructed employees to divide purchases to keep the dollar amount per invoice below the amount that would require the housing department to obtain bids. According

to Mr. Shewmake, he had not been aware that it was improper for him to break larger transactions into smaller purchases to avoid bid requirements. He said that until he read an on-campus memorandum dated March 10, 1994, regarding purchases over \$500, he had misunderstood the TBR purchasing policy, interpreting the policy to mean that as long as invoice amounts were within the set limits, bids were not required.

Mr. Bob Adams, Vice President of Business and Finance, distributed the on-campus memorandum regarding this policy to all department heads. The accounts payable office had apparently received numerous payment requests for purchases exceeding \$500 which were not requisitioned through the purchasing office and for which bids were not solicited. The memorandum explains that if a purchase amount is expected to exceed \$500, bids must be solicited. The memorandum is exhibited in this report as an attachment and explains the policy and its intentions.

According to Mr. Shewmake, after receiving the memorandum and noting continued violations by staff, he required the housing staff to sign a memorandum dated November 17, 1994, stating that purchases could not be split into separate invoices to circumvent the \$500 limit. However, 10 of the 29 occasions of apparent invoice splitting in fiscal year 1995 occurred after the housing staff were presented with Mr. Shewmake's memorandum.

#### The Housing Director Failed to Solicit Bids for Work That Exceeded the Terms of a Contract

Mr. Sinclair alleged that Mr. Shewmake directed a contractor to perform work beyond the scope of an existing contract. The university had awarded Mr. Bill Reynolds a labor contract to hang dry wall in Monohan Hall at \$10.50 per board. The contract, dated April 6, 1990, limited expenditures to \$15,750.00 to hang 1,500 boards. The contract was signed by Mr. Shewmake and his supervisor, Dr. LaLance.

From our review of invoices submitted by Mr. Reynolds and the related payments to him by the university, we determined that Mr. Reynolds was paid \$54,424.66 under this contract for various tasks he and his crew performed between March 10 and August 15, 1990. The contract limit on expenditures was exceeded by \$38,674.66, or 246%. A schedule summarizing the university's payments to Mr. Reynolds is exhibited on page 7. The work performed included hanging dry wall, which was within the contract terms. However, some of the dry wall was hung for projects other than Monohan Hall. Furthermore, according to the invoices and to statements by Mr. Reynolds, he painted, textured ceilings, moved furniture, and removed heater pipes, services which were not included in the contract. TBR policy 4:02:10:00 effective during this period required the solicitation of three written or telephone bids for purchases of equipment or services of \$300 or more and written sealed bids from 15 vendors for purchases of \$5,000 or more. However, we found no documentation of requests for bids for these additional services, and Mr. Shewmake stated that he did not recall requesting any bids for the additional work performed by Mr. Reynolds.

#### *Monohan Hall Project*

Mr. Reynolds submitted nine invoices totaling \$21,386.50 for dry wall work and four invoices totaling \$2,740.00 for ceiling texturing performed in Monohan Hall. The university paid all 13 invoices. We could not determine whether the contract was extended as required by TBR policy to include the additional expenditures of \$5,636.50 (\$21,386.50 less \$15,750.00) for the hanging of dry wall. No letter requesting this extension or other relevant documentation could be located because the purchasing files relating to the university's 1990 purchases had been destroyed pursuant to TBR guidelines which require that bid files be retained for only three years. Mr. Shewmake told us that Mr. Sinclair, the former Associate Director of Housing, had approached Mr. Joe Hugh, the Purchasing Director, and received approval for an extension to the contract. However, Mr. Sinclair denied that he was ever directed by Mr. Shewmake to request an extension of the contract or that he had made such a request, and he said that to his knowledge, Mr. Hugh did not grant an extension.

Mr. Hugh could not recall authorizing an extension but indicated that he probably would have given his approval for additional work if an extension request had been presented to him, considering the time constraints involved in renovating dorms before the beginning of the semester. However, he also stated that this extension would have covered only the labor for hanging dry wall since a price had already been established for this work; it would not have pertained to painting, texturing ceilings, moving furniture, or removing heater pipes. According to Mr. Hugh, he would have formally documented his approval of any extension request by initialing and dating the request letter from the housing department and keeping a copy of the letter in the purchasing office's files.

Bids for the \$2,740.00 in ceiling texturing services also should have been solicited. According to Mr. Shewmake, he approved the ceiling texture work without a new contract because it was closely related to the hanging of dry wall. However, the expenditures relating to the texturing of ceilings were 11.4% of the total project expenditures. Therefore, the ceiling texturing should have been included in the original contract as a separate line item or requisitioned as a separate contract.

### *Sims Hall Project*

According to Mr. Reynolds, toward the end of his work on Monohan Hall, Mr. Shewmake approached him about hanging dry wall in Sims Hall. Mr. Reynolds said that he told Mr. Shewmake it would cost approximately \$15,000 to do the work and that Mr. Shewmake told him to proceed with the project. Mr. Reynolds further stated that when he asked Mr. Shewmake when the bids for the project would be approved, Mr. Shewmake told him that bids would not be required. According to Mr. Reynolds, Mr. Shewmake then questioned him about the cost of removing heater pipes and heater units and moving furniture out of the rooms in Sims Hall to facilitate the dry wall work. Mr. Reynolds said that Mr. Shewmake agreed to a charge of \$10,000 and again told him to proceed without submitting a new bid. According to Mr. Reynolds, he completed this work, painted, and textured the ceilings, but billed the university, at Mr. Shewmake's request, as though he were hanging dry wall alone.

Mr. Reynolds was paid a total of \$28,744.16 for work he performed in Sims Hall. From the invoices regarding the university's purchases of dry wall, we determined that only 1,045

boards were available for work on Sims Hall. Therefore, it appears Mr. Reynolds was paid \$10,972.50 (1,045 @ \$10.50) to hang dry wall. The services Mr. Reynolds provided, if any, for the remaining \$17,771.66 could not be determined.

In our interview with Mr. Shewmake, he admitted that he told Mr. Reynolds to hang dry wall in Sims Hall, but he denied discussing moving furniture, removing heater pipes, or instructing Mr. Reynolds to bill the university for these services as though he were hanging dry wall. Because there were no witnesses to the conversation between Mr. Shewmake and Mr. Reynolds and no records to document any agreement, it could not be determined whether Mr. Shewmake had requested that Mr. Reynolds do the additional work. However, all the work on Sims Hall was performed outside the contract for Monohan Hall. Furthermore, Mr. Shewmake or his secretary, Ms. Joyce Vaughn, approved all the invoices submitted by Mr. Reynolds, as evidenced by his signature or Mr. Shewmake's name and Ms. Vaughn's initials. Therefore, it appears that he knew, or should have known, that he was approving payment for work outside the contract and thus was in violation of TBR policy.

*Additional Invoices for Work Performed in Other University-Owned Property*

Mr. Reynolds also submitted invoices for work he performed at other university-owned buildings. On March 10, 1990, he submitted two invoices indicating he had hung dry wall in an apartment in Ezell Hall and in a home on North Baird Lane. On June 7, 1990, he submitted another invoice for hanging dry wall but did not indicate which building the work was performed in. These payments are further described below.

**Schedule of Payments to Mr. Bill Reynolds**

<u>Project Location and Payments per Invoices</u>						
<u>Service</u>	<u>Monohan</u>	<u>Sims</u>	<u>Ezell</u>	<u>North Baird</u>	<u>Unknown</u>	<u>Total</u>
Dry wall	\$21,386.50	\$10,972.50	\$388.50	\$378.00	\$787.50	\$33,913.00
Ceilings	2,740.00					2,740.00
Unknown		<u>17,771.66</u>				<u>17,771.66</u>
<b>Total</b>	<u>\$24,126.50</u>	<u>\$28,744.16</u>	<u>\$388.50</u>	<u>\$378.00</u>	<u>\$787.50</u>	<u>\$54,424.66</u>
Less: Contract #21795 maximum expenditures						<u>15,750.00</u>
Expenditures in excess of contract amount						<u>\$38,674.66</u>

## Lack of Internal Controls and Supervision

Weak internal controls, including the failure of housing personnel to supervise contract work and monitor contract expenditures, allowed the \$38,674.66 excess of expenditures over the limits of the contract to occur. Mr. Shewmake says that he relied on Mr. Sinclair, the former associate director, to monitor project expenditures and the contractor's work, and that he relied on his secretary, Ms. Vaughn, to review invoices from contractors and vendors. However, Mr. Sinclair contends that the responsibility for directing Mr. Reynolds was assumed by Mr. Shewmake. Ms. Vaughn says that she routinely reviewed invoices for accuracy and relied on the associate director to review and oversee the contractor's work. According to Ms. Vaughn, she would then have Mr. Shewmake sign the payment authorization, but if he was not in the office, she would contact him and sign the authorization with his name and her initials. Although the division of responsibility for monitoring contract expenditures could not be determined, Mr. Shewmake, as the housing director, was ultimately responsible for the excess expenditures.

In addition, the accounts payable staff failed to note that the expenditures for Mr. Reynolds' services were exceeding the purchase order limits. At the time of the payment to Mr. Reynolds, the staff manually tracked expenditures to contracts. Apparently, when the accounts payable staff received the purchase authorizations from housing, they would not always code the payment to the contract. This manual system of tracking expenditures was replaced with a computerized system in February 1992, and additional controls were implemented to ensure that expenditures did not exceed contract limits.

To determine the accuracy of the new system, we reviewed the expenditures related to three contracts incurred after the February 1992 change in the system. The expenditures for one of the three contracts exceeded the contract amount, but the contract contained an approved extension. Expenditures against the other two contracts were still pending with no discrepancies noted.

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## CONCLUSION

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Mr. Shewmake apparently disregarded purchasing procedures and instructed his subordinates to split invoices to avoid soliciting bids required by the Tennessee Board of Regents' purchasing policy and procedures. He also apparently approved Mr. Reynolds' performance of work which was not part of an existing contract and again violated Tennessee Board of Regents policy by not soliciting bids from other contractors for this additional work. In addition, it seems Mr. Shewmake directed Mr. Reynolds to submit inaccurate and misleading invoices for this additional work to avoid the bid solicitation process, and that Mr. Shewmake or Ms. Vaughn approved the corresponding payments to the contractor. It appears Mr. Reynolds was paid \$54,424.66 under a contract limited to \$15,750.00. Because of the lax controls over expenditures within the housing department and the inaccurate billings submitted by the contractor, we could

not determine what services the contractor had provided, if any, for \$17,771.66 of these payments from the university.

Although the university was aware that Mr. Shewmake had previously violated TBR's purchasing policy, we could find no evidence that the university took disciplinary action against him. Management of the university is responsible for establishing and maintaining policy and procedures for internal controls over housing transactions. Weak controls, disregard for existing controls, and failure to address previously noted problems are attributes of an environment fostered by a management that does not consider effective controls a priority. Lack of controls increases the likelihood that resources could be misused. For effective management, the officials over the director of housing must set the appropriate tone for the director and other housing staff by supporting policy and procedures. The director must also exhibit a commitment to establishing and maintaining appropriate controls. The findings in this report indicate that the former director's lack of consideration regarding policy and procedures directly contributed to the inappropriate activities of the housing department employees who split invoices and approved payments for work not included in a contract.

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## RECOMMENDATIONS

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Top management should ensure that university purchases comply with the Tennessee Board of Regents' purchasing policy and procedures and that departments are not participating in activities hosted by or funded by vendors which would create the appearance of a conflict of interest. Guidance regarding the appropriate purchasing procedures should be given to all housing staff responsible for making purchases on behalf of the department. Questions from housing staff regarding purchasing policies and procedures should be directed to the purchasing director for clarification. Business office staff should implement controls to ensure that payments to vendors do not exceed contract limitations without written approval from the purchasing director.

The director of housing should ensure that all funds are properly accounted for and maintained in accounts authorized by the university's business office. The director should also ensure that the invoices are accurate and reflect actual work performed before authorizing payments. Furthermore, the director should ensure that job responsibilities among housing staff are clearly understood and that their work is properly reviewed.

Although Mr. Shewmake has been relieved of his duties as Director of Housing, in light of the numerous violations by Mr. Shewmake and housing department staff, upper management should consider appropriate disciplinary actions.

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ATTACHMENT

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MEMORANDUM

TO: All Department Heads

FROM: Bob Adams

SUBJECT: Purchasing Violations

DATE: March 10, 1994

I need your help in addressing a serious problem relative to purchasing policy violations. Seldom does a day go by that I am not asked to approve one or more payment requests received in accounts payable that involve purchases that were made in excess of \$500 without obtaining a purchase order.

State auditors closely review our purchasing practices since as a state supported institution all vendors have a right to equal opportunity to bid on our goods and services. We already have a more liberal limit for departmental purchases than general state government and we need to make every effort to not jeopardize our flexibility.

If the order is to exceed \$500 it must be requisitioned through the purchasing office. Only the director of purchasing has authority to obligate purchases exceeding \$500. If you have any questions about purchasing policies and procedures please ask for assistance from the purchasing office at 2944.

Any request to pay an invoice in violation of the \$500 limit must include a written explanation from the department head explaining the circumstances of the purchase. Please ensure that everyone in your department making departmental purchases is made aware of this policy and advise them that ordering items exceeding \$500 may result in a personal obligation for the order.

BA/jb