



FISCAL YEAR 2007

ANNUAL REPORT

**State of West Virginia
Department of Administration
Purchasing Division**

www.state.wv.us/admin/purchase

The West Virginia Purchasing Division is an E.E.O Employer

TABLE OF CONTENTS



	<u>Page Number</u>
A Message from the Purchasing Director	1
General Information	2
Statutory Authority	2
Mission Statement	2
Our Values	2
Customer Expectations	3
Organizational Structure	4
Organizational Chart	5
Quick Contact Reference Guide	6
Year in Review: Highlights	7
Year in Review: Program Accomplishments	14
Acquisitions and Contract Administration Section	14
Communication and Technical Services Section	16
Program Services Section	18
Recognition Awards	21
Financial Statistics	23
Legislative Changes	24
Division Objectives	25

THE DIRECTOR'S MESSAGE



June 30, 2007

To the Citizens of West Virginia:

The Purchasing Division has focused its attention during this fiscal year on the implementation of procedural changes imposed during last year's purchasing reform legislation. Many dramatic changes were made to the **West Virginia Code, Code of State Rules** and the operational procedures that affect how state government procures commodities and services.



Some of the more substantial changes for which internal controls and procedures were developed related to utilizing contracts from other state agencies, state governments, federal government and multi-state purchasing coalitions; procuring sole source commodities or services; and ensuring the management of contracts awarded both at the agency and Purchasing Division level.

The Purchasing Division has made great strides this year in not only developing and clarifying our procedures to reflect the statutory changes, but in communicating these new directives to our agency procurement officers within state government.

Organizationally, we have enhanced our professional staff by hiring qualified individuals to meet the needs in processing purchasing transactions, managing contracts, and inspecting purchasing documents to ensure compliance with state law and procedures.

With an ever-changing business world, simply striving for 'status quo' in procurement does not provide the added value services that the taxpayers of West Virginia expect and deserve. Therefore, the Purchasing Division continues to seek ways to improve not only the purchasing process, but the manner in which we offer our services to state agencies, the vendor community, and to the public.

Our programs, accomplishments and initiatives are included in this **Annual Report**. Thank you for your cooperation and support in our continued efforts in providing the highest level of service to our customers.

Sincerely,

Dave Tincher, Director
West Virginia Purchasing Division

GENERAL INFORMATION



West Virginia Purchasing Division

2019 Washington Street, East
P.O. Box 50130
Charleston, WV 25305-0130

Telephone: (304) 558-2306
In-state toll-free: 800-BIDS2WV (800-243-7298)
Fax: (304) 558-4115

www.state.wv.us/admin/purchase

STATUTORY AUTHORITY

The Purchasing Division was created and its duties outlined in the **West Virginia Code** §5A-3-1 et seq. According to the Code, “the Purchasing Division was created for the purpose of establishing centralized offices to provide purchasing, travel and leasing services to various state agencies.”

The Purchasing Division operates in adherence to its **Legislative Rule** (148 CSR 1), which serves as a clarification of operative procedures for the purchase of products and services by the Division. It applies to all spending units of state government, except those statutorily exempt.

MISSION STATEMENT

The mission of the Purchasing Division is to provide valued services to our customers by making sound and effective decisions in accordance with state law. As a customer-driven organization, we strive to exercise prudent and fair spending practices in acquiring quality goods and services in a timely fashion at the lowest possible cost; to continually improve the services we offer to maximize the efficiency of state government; and to provide leadership and guidance to our customers – state agencies, vendors, legislators and the general public – in building lasting business relationships.

OUR VALUES

Integrity...The Purchasing Division values the trust which its customers place upon our organization and works diligently to maintain that level of comfort realized by our customers.

Service...The Purchasing Division strives to serve its customers in the most effective and efficient manner to realize our shared goals.

OUR VALUES, Continued

Knowledge...The Purchasing Division is a knowledgeable source to state agencies and the vendor community regarding our laws and procedures. We seek to understand the needs of our customers and provide necessary information and guidance.

Communication...The Purchasing Division communicates effectively with our customers on policies, procedures and regulations and serves as a reliable resource on public procurement.

Mutual Respect...The Purchasing Division believes in the philosophy of reciprocal respect in the business world.

Fairness...The Purchasing Division conducts our business practices in a fair manner by providing equal opportunities to the vendor community, and guidance and information to state agency purchasers.

Teamwork...The Purchasing Division recognizes the importance of the concept of teamwork in its daily operation. Our organization encourages our customers to provide feedback to realize continuous improvements.

Professionalism...The Purchasing Division believes in the professionalism of our staff and in the manner in which we interact with our customers.

Innovation...The Purchasing Division seeks innovative methods to improve the programs and services provided, while abiding by legislative and regulatory statutes.

Leadership...The Purchasing Division aims to serve as a leader in state government procurement by providing its customers with effective guidance and valuable information.

CUSTOMERS EXPECTATIONS

What Our Customers Want...



<u>Public</u>	<u>Vendors</u>	<u>Legislators</u>	<u>State Agencies</u>
Integrity	Fairness	Guidance	Information
Accessibility	Communication	Information	On-Time Delivery
Ethics	Accessibility	Responsiveness	Guidance
Efficiency	Information	Openness	Partnership
Responsiveness	Ethics	Accessibility	Competence
Dependability	Added Value	Partnership	Accessibility
Quality	Simplicity	Competence	Open-Mindedness
	Communication	Simplicity	Innovativeness

ORGANIZATIONAL STRUCTURE

The Purchasing Division is organizationally structured under the Department of Administration. In addition to the Purchasing Director's office, the division has three sections: Acquisition and Contract Administration, Communication and Technical Services, and Program Services.

Acquisition and Contract Administration Section

This section is responsible for the procurement of products and services for state agencies in excess of \$25,000. It is committed to providing good customer service to agencies and vendors by buying the best quality commodities at the lowest cost to taxpayers. The procurement process is monitored through the Requisition Tracking System from the requisition receipt to the award of the purchase order.

The Contract Management Unit within this section oversees the managing of all contracts and the inspection of purchasing documents to ensure compliance with state laws, regulations and procedures. This section strives to provide quality services in the most efficient manner.

Communication and Technical Services Section

This section is responsible for a variety of services offered to agency purchasers, the business community and to the general public. It focuses on technology, communication, training, new business development and administrative functions, such as vendor registration, records imaging, purchase order encumbrance, bid receipt and bid package distribution.

The Communication Unit provides information related to the division as well as the individual programs which are administered by the division. The Technical Services Unit maintains the automated purchasing systems, our networking services and the division's website.

In addition, this unit oversees the administrative functions outlined above. Professional development is also a vital aspect of the division. Conferences and seminars are offered throughout the year to offer guidance to our customers.

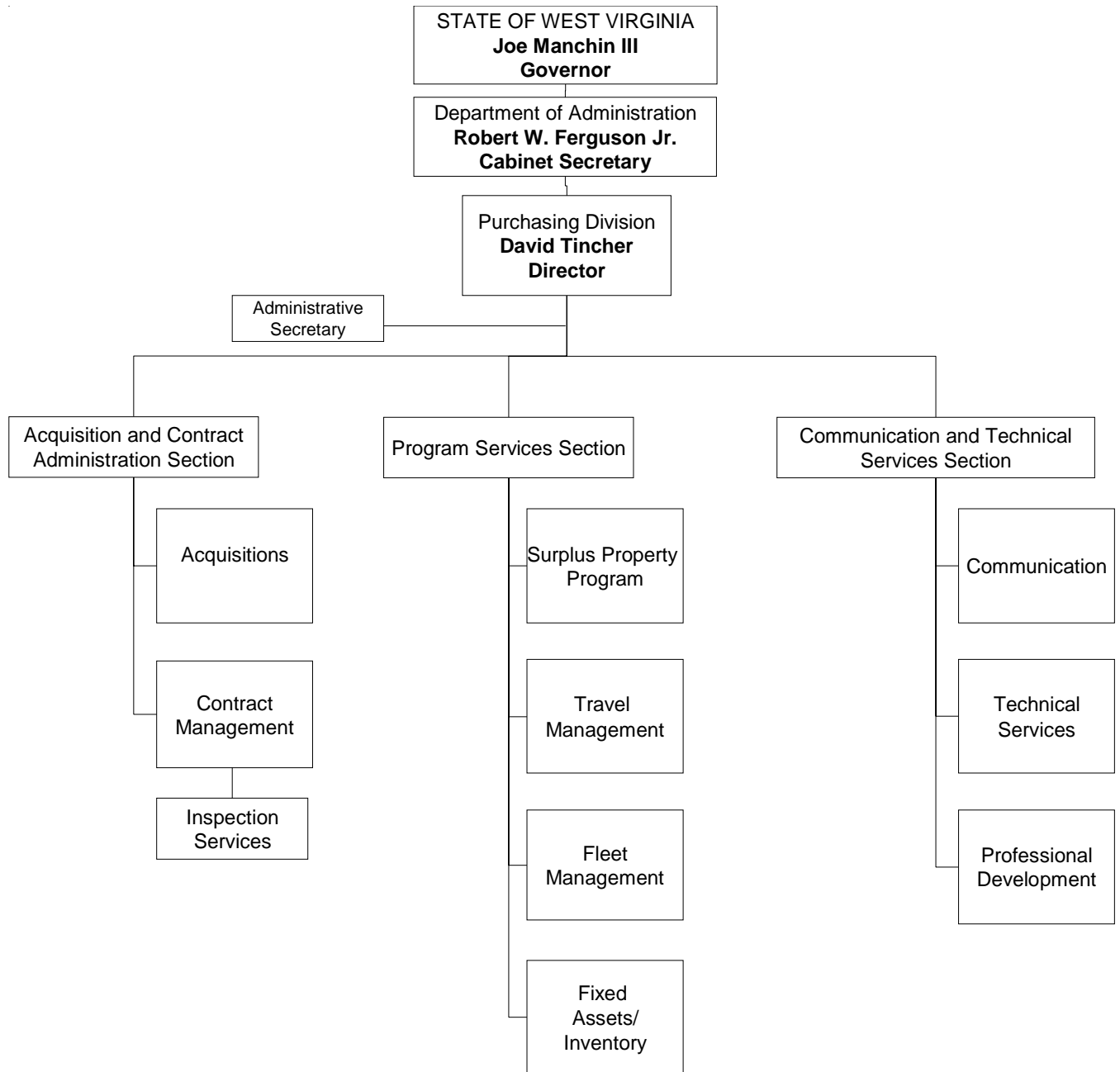
Program Services Section

This section is responsible for several of the programs administered by the division.

The Fleet Management Unit oversees the leasing of vehicles to state agencies. The Travel Management Unit offers guidance to state business travelers and oversees various statewide contracts for travel-related services.

The Surplus Property Unit manages the state and federal programs for property no longer needed within the respective governments. The Fixed Assets Unit maintains the state's inventory of property.

State of West Virginia
Department of Administration
PURCHASING DIVISION



QUICK CONTACT REFERENCE GUIDE

	<u>Telephone No.</u>	<u>Location</u>
<u>Director's Office</u>		
David Tincher, Director	(304) 558-2538	Main Office
Debbie Watkins, Administrative Secretary	(304) 558-3568	Main Office
<u>Acquisition and Contract Administration Section</u>		
Karen Byrd, Assistant Director	(304) 558-4317	Main Office
<u>Acquisitions Unit</u>		
Ron Price, Buyer Supervisor	(304) 558-0492	Main Office
John Abbott, Senior Buyer	(304) 558-2544	Main Office
JoAnn Adkins, Senior Buyer	(304) 558-8802	Main Office
Michael Austin, Senior Buyer	(304) 558-2316	Main Office
Chuck Bowman, Senior Buyer	(304) 558-2157	Main Office
Krista Ferrell, Senior Buyer	(304) 558-2596	Main Office
Nathan Mitchell, Senior Buyer	(304) 558-8806	Main Office
John Johnston, Senior Buyer	(304) 558-2402	Main Office
Shelly Murray, Senior Buyer	(304) 558-8801	Main Office
Roberta Wagner, Senior Buyer	(304) 558-0067	Main Office
<u>Contract Management Unit</u>		
Michael Sheets, Contract Manager	(304) 558-5780	Main Office
Susan King, Inspector III	(304) 558-2652	Main Office
Shane Hall, Inspector II	(304) 558-8803	Main Office
Junior Blount, Inspector II	(304) 558-3488	Main Office
<u>Communication and Technical Services Section</u>		
Diane Holley, Assistant Director	(304) 558-0661	Main Office
<u>Communication Unit</u>		
Tony O'Leary, Public Information Specialist	(304) 558-4213	Main Office
<u>Technical Services Unit</u>		
Dan Miller, Manager	(304) 558-2314	Main Office
<u>Administration Unit</u>		
Joan Adkins, Records Imaging	(304) 558-2312	Main Office
Beverly Toler, Purchase Order Encumbrance	(304) 558-2336	Main Office
Erika Vance, Vendor Registration	(304) 558-2311	Main Office
<u>Program Services Section</u>		
Ken Frye, Assistant Director	(304) 766-2626	Dunbar
<u>Fleet Management Office</u>		
Janice Boggs, Manager	(304) 558-0086	Main Office
<u>Surplus Property Unit</u>		
Ken Frye, Manager	(304) 766-2626	Dunbar
<u>Travel Management</u>		
Catherine DeMarco, Manager	(304) 558-2613	Main Office
<u>Fixed Asset/Inventory</u>		
	(304) 766-2626	Dunbar



HIGHLIGHTS

SOLE SOURCE PROCUREMENT

■ Explanation Offered of Sole Source Determination in Accordance with New Statute

To clarify procedures relating to direct or “sole source” purchases pursuant to changes in the **West Virginia Code** and **Code of State Rules**, the following guidance was provided to agency procurement officers and personnel.

In sole source situations, competition is not available and the commodity or service may only be available from one source. Regardless of the dollar amount, written justification is required with the following criteria to be used by the Purchasing Division to determine the validity of the request:

- A. Requested vendor is the only known source, or;
- B. The items are of a unique or specific nature, or;
- C. The request is not an attempt to circumvent the normal bidding procedures.

For direct or sole source purchases \$25,000 or less, the agency must complete an **Agency Purchase Order**. In addition, a written, signed quotation from the sole source vendor and written justification from the agency must be obtained. Fax quotations are permitted. A specific description, terms, FOB point of shipment, and price must be included in the signed quotation. The agency must maintain written documentation at their location certifying that no other sources are available and that the agency exhausted all attempts to secure competition.

For direct or sole source purchases more than \$25,000, the agency is to submit a **Purchase Requisition**, marked as “Direct Purchase,” with a general description of the commodity or service, along with the vendor’s quote, **Purchasing Affidavit**, and **Non-Conflict of Interest Certification**. The agency should also submit the language for the sole source determination advertisement.

The Purchasing Division will advertise the potential sole source purchase in the **West Virginia Purchasing Bulletin** to ensure no other vendor may provide this commodity or service. Should no vendor respond to the sole source advertisement, the agency’s **Purchase Requisition** may be processed as a sole source purchase. An original, signed bid quotation from the sole source vendor must also be submitted with the completed **Purchase Requisition**. A specific description, terms, FOB shipping point, and price must be included in the signed quotation.

Sole source purchases require a completed WVFIMS agency coversheet; an original signed vendor quotation; a signed letter of justification from the agency; and, if the vendor offers alternate terms and conditions, an **Agreement Addendum (WV-96)**.



If a vendor does respond to the sole source advertisement, indicating they can provide the commodity or services advertised, the sole source **Purchase Requisition** may be canceled and the agency must resubmit a new **Purchase Requisition** with detailed specifications. The Purchasing Division will process this requisition competitively and advertise in the **West Virginia Purchasing Bulletin** accordingly.

For additional questions relating to direct or sole source purchases, agency purchasers have been encouraged to contact their assigned Purchasing Division buyer.

Sample language for the advertisement request of the sole source determination is printed below:

SOLE SOURCE DETERMINATION

The Purchasing Division has been requested to approve a sole source purchase for the commodity or service described below. Pursuant to **West Virginia Code** 5A-3-10c, the Purchasing Division is attempting to determine whether the commodity or service is a sole source procurement. If you believe your company meets the required experience and qualification criteria stated below, please e-mail the Purchasing Division at **team@wvadmin.gov** to express your interest in the project. Please forward any and all information that will support your company's compliance with required qualification and eligibility criteria along with any other pertinent information relative to this project to the Purchasing Division no later than _____ [INSERT DATE].

Requisition Number:

Department/Agency:

Detailed Description of the Project:

Proposed Sole Source Vendor:

Specific Eligibility Criteria:

Specific Qualification Criteria:

PIGGYBACKING CONTRACTS

- Piggybacking Contracts Permitted through Reform; Specific Guidelines Ensure the Best Buy for the State of West Virginia

As a result of changes made to the **West Virginia Code** as part of the Purchasing Reform effort, the piggybacking issue was clarified.

Piggybacking is defined as utilizing any existing open-end contract for commodities and services of the federal government, agencies of other states, other public bodies or other state agencies, to which the requesting agency was not an original party. Piggybacking requires prior approval by the Purchasing Director.



In accordance with the **West Virginia Code**, §5A-3-19, the Purchasing Director “may, upon the recommendation of a state spending unit, participate in, sponsor, conduct, or administer a cooperative purchasing agreement or consortium for the purchase of commodities or services with agencies of the federal government, agencies of other states, other public bodies or other state agencies, if available and financially advantageous.”

The following guidelines and requirements relate to these types of purchases and must be submitted in writing sufficiently in advance of the proposed purchase:

- A written justification explaining how the use of the contract is financially advantageous and comparable to what has been competitively bid.
- A complete copy of the contract to be used.
- Evidence that the issuing agency and vendor will allow a West Virginia spending unit to use the contract.
- A complete copy of the order to be submitted.
- Proof that use of the contract does not conflict with an existing contract unless prices on the non-West Virginia contract are substantially lower.
- Proof that use of the contract will not cause a hardship on a West Virginia vendor.
- Does not conflict with any spending unit set aside preference.
- The proposed vendor must be properly registered with the Purchasing Division.
- Notice of any fees or terms and conditions that are applicable.

Certain Purchasing Division forms, such as the **Agreement Addendum**, **Purchasing Affidavit**, and **Certificate of Non-Conflict**, may be applicable.

Questions regarding the use of existing contracts from the federal government, other states or public bodies may be directed to the agency's assigned buyer within the Purchasing Division.

For a list of the Purchasing Division's assigned buyers for state agencies, visit <http://www.state.wv.us/admin/purchase/byassign.htm>.

CONTRACT MANAGEMENT

■ Contract Management Procedures Developed to Assist State Agencies

Contracts for commodities and services expected to exceed \$25,000 are awarded through the Purchasing Division, but, in many cases, the oversight of these contracts has been limited in the past due to the lack of specific authority granted to the division for such services. As a result of the purchasing reform initiative passed by the Legislature in 2006, contract management was addressed to provide the necessary assurance that the state is receiving the services and commodities which meet the specific requirements prior to rendering payment. Construction contracts are excluded by law.



In accordance with **West Virginia Code**, §5A-3-4, the Purchasing Director “shall prescribe contract management procedures for all state contracts, except government construction contracts, including, but not limited to, those set forth in article twenty-two, chapter five of the code, which is referred to as the ‘West Virginia Fairness In Competitive Bidding Act’.”

The **Code of State Rules**, 148CSR1, outlines the guidelines by which state agencies and the Purchasing Division must manage contracts entered into on behalf of the state of West Virginia. The Rule distinguishes different procedures based on the dollar amount.

For contracts for commodities and services in the amount of \$1 million or less, the Purchasing Director may prescribe contract management procedures for all state contracts, except government construction contracts. These procedures may include, but are not limited to:

- (a) establishing payment benchmarks to assure the state receives value prior to remitting payment;
- (b) conducting regular meetings between spending unit and vendor to assess contract performance;
- (c) training spending unit personnel to manage contracts; or,
- (d) using the Office of Technology Project Manager for its projects.

The Purchasing Division is currently developing guidelines for the management of contracts within this monetary threshold.

For contracts for commodities and services in an amount exceeding \$1 million, the following contract management procedures apply:

- **Post-Award Conferences**

The agency administrator responsible for administering the contract shall hold a post-award conference with the contractor to ensure a clear and mutual understanding of all contract terms and conditions, and the respective responsibilities of all parties.

The conference agenda shall include, at a minimum, the introduction of all participants and identification of agency and contractor key personnel, and discussion of the following items:

- (1) The scope of the contract, including specifications of what the agency is buying;
- (2) The contract terms and conditions, particularly any special contract provisions;
- (3) The technical and reporting requirements of the contract;
- (4) The contract administration procedures, including contract monitoring and progress measurement;
- (5) The rights and obligations of both parties and the contractor performance evaluation procedures;
- (6) An explanation that the contractor will be evaluated on its performance both during and at the conclusion of the contract and that such information may be considered in the selection of future contracts;
- (7) Potential contract problem areas and possible solutions;
- (8) Invoicing requirements and payment procedures, with particular attention to whether payment will be made according to milestones achieved by the contractor;
- (9) An explanation of the limits of authority for the personnel of both the agency and the contractor.

• Monitoring

The agency shall develop a comprehensive and objective monitoring checklist which:

- (1) Measures outcomes;
- (2) Monitors compliance with contract requirements; and
- (3) Assesses contractor performance.

• Reports

The agency shall make the following reports to the Director, on a schedule established by the Director, but not less frequently than once a year:

(1) Status Reports: Status reports describe the progress of the work; track the organizational structure of the statement of work in terms of phases, segments, deliverables and products; and describe what work is complete and what work is pending and contrast that status against the contract schedule. If there are any unresolved issues that the agency is contractually obligated to resolve, those issues should be included in the status report and a resolution should be requested.

(2) Activity Reports: Activity reports describe all activity on the project, regardless of whether substantial progress has been made toward completion of the project. If payment is based on the number of completed transactions, these activities must be specifically set out in the report.

Additional information is forthcoming to assist agency procurement officers with these contract management guidelines. Questions regarding contract management procedures may be directed to Mike Sheets, Contract Manager, at (304) 558-5780 or via e-mail at *Michael.W.Sheets@wv.gov*.

The Contract Management Unit, under the Acquisition and Contract Administration Section of the Purchasing Division, is responsible for fulfilling two functions, according to its manager, Mike Sheets.

"One aspect is to provide contract management services for state government contracts. This encompasses various tasks, including establishing payment benchmarks to assure the state receives value prior to remitting payment, requiring regular meetings between the spending unit and vendor to assess contract performance, training agency personnel to manage contracts; or using the project management team of the Office of Technology to manage their projects," Sheets said.

Inspection is yet another aspect of this newly formed unit. "As part of Inspection, we will review and audit spending unit requests and purchases as well as audit other transactions and performance that fall under the division's authority," he said. Sheets adds that training is a vital part of this process.

In addition to Sheets, the Contract Management Unit staff consists of Susan King (Inspector III); Junior Blount (Inspector II); and Shane Hall (Inspector II). Sheets said that currently the inspectors are assigned to specific agencies, but will be working together, pooling their combined talents and industry-specific knowledge.

"We have talked with agency representatives when establishing the contract management process," he said. In addition, language has been drafted for contract inclusion, tools have been developed for internal and agency use, and Sheets has met with agency personnel regarding the evaluation of contract performance.

Sheets said their goal was to implement the inspection program as quickly as possible, by first examining the Department of Administration for compliance with **West Virginia Code** and **Code of State Rules**. "Because we wanted to get into the field quickly and begin networking with agencies, our Unit devised a technically correct, but basic inspection procedure," he said. Over time, Sheets said the objective is to bring this procedure closer to an audit standard.

"This standard of assurance should provide stakeholders, including our state taxpayers, an increased level of confidence in the integrity of the process and the people participating in the process," said Purchasing Director Dave Tincher. He explains that due to budgetary cuts in the past, the division has not had an active inspection program for more than 15 years.

"I am pleased that the additional funding has been made available to resurrect this vital program," Tincher adds. "We view the Contract Management Unit as an educational appendage to our division, with the inspectors serving as purchasing ambassadors to our state agencies as a helpful resource."

Other states, including South Carolina, North Carolina, Colorado, Maryland and California, have implemented similar programs with successful outcomes.

VENDOR BIDS AVAILABLE ONLINE

■ Purchasing Division Continues to Progress Electronically

With the elimination of the dual bid receipt for which vendors must provide the State Auditor's Office with a duplicate copy of their bid, the Purchasing Division established a process by which bids are available electronically after the bid openings.

Agency purchasers may view the bids received at all bid openings conducted by the Purchasing Division at:

<http://www.state.wv.us/admin/purchase/bids>

By offering the bids electronically at the division's website, vendors, who previously would review the bids of their competitors at the State Auditor's Office, may now perform the same task at the comfort of their own computer in their office or home.

The elimination of the dual bid requirement was the result of changes in the **West Virginia Code**, which took place during the 2006 Regular Session of the State Legislature.

In the past, vendors' bids had been disqualified due to mishaps relating to this requirement. Because all bid openings are open to the public, the need for the dual bid receipt was no longer necessary.



NEW VEHICLE RETIREMENT AND REPLACEMENT POLICY

■ Fleet Management Program Announces New Retirement and Replacement Policy

A new policy for vehicle retirement and replacement under the Department of Administration's Fleet Management Program became effective in March of 2007, according to a memorandum released from Cabinet Secretary Robert W. Ferguson, Jr. of the Department of Administration.



The new retirement policy is four (4) years and 100,000 miles. Prior to this change, the vehicle retirement and replacement policy was five (5) years and 125,000 miles, requiring state agencies to drive and maintain their fleet vehicles beyond the most economical point of replacement.

By extending the life of these fleet vehicles, additional maintenance costs have escalated, downtime has increased resulting in loss of productivity, and the resale value has been severely diminished.

Agency fleet coordinators were informed by the Fleet Management Office of the new policy and asked to notify the Fleet Management Office when assigned vehicles meet these criteria and need to be replaced. This policy change only affects agencies which are statutorily required to lease vehicles through the Department of Administration's Fleet Management Program.

A YEAR IN REVIEW...



PROGRAM ACCOMPLISHMENTS

ACQUISITION AND CONTRACT ADMINISTRATION SECTION

The Acquisition and Contract Administration Section is responsible for the procurement of products and services for state agencies in excess of \$25,000. It is committed to providing good customer service to agencies and vendors in an efficient and ethical manner that will reduce costs, maximize competition, promote good customer and vendor relations, protect public funds, ensure compliance with the West Virginia Code and preserve the integrity in buying the best quality commodities at the lowest cost to taxpayers.

Contract Management

Pursuant to Purchasing Reform legislation, a Contract Management Unit was created under the Acquisition and Contract Administration Section of the Purchasing Division. This legislation required agencies to perform specific contract management functions for all contracts totaling \$1 million or more.

These procedures include post-award meetings with selected vendors and quarterly reporting requirements. Contract management procedures for contracts less than \$1 million are prescribed by the Purchasing Division. Specific contract management requirements were included in the new **Code of State Rules**, which became effective July 1, 2007. These requirements are being monitored by the Contract Management Unit.



Contract Manager Michael Sheets



Pictured (l-r): Contract Manager Mike Sheets and the inspectors, Junior Blount, Susan King and Shane Hall.

Inspection

Also pursuant to Purchasing Reform legislation, the Contract Management Unit hired three employees who are responsible for inspecting agency delegated purchases to ensure compliance with all laws, rules, policies and procedures.

The Inspectors serve as valuable resources for agency personnel. Reports of inspections are provided to appropriate agency personnel who are given the opportunity to provide a written response to report findings and issues.

Non-Competitive / Exempt List of Commodities/Services

In accordance with *West Virginia Code*, §5A-3-10c, and the *Code of State Rules*, 148CSR1-7, the Purchasing Division Director may approve the purchase of commodities, services or printing directly from a vendor without competitive bidding when certain conditions exist. Agencies are required to provide written documentation to the Director setting forth the basis for the sole source procurement and the specific efforts made to determine the availability of other sources. All sole source requests are required by law to be publicly advertised and made available for review by registered bidders. An annual report of all sole source determinations is required to be made by the Purchasing Division.

Protest Procedures

The *Code of State Rules*, 148CSR 1-8, provides vendors with a means by which to file protests with the Purchasing Division. Two types of protests are recognized. Protests of specifications must be filed with the Purchasing Division at least five (5) business days before the scheduled bid opening. Protests of contract award must be filed within five (5) days of the date of contract award.

In **Fiscal Year 2007**, **22** protests were filed with the Purchasing Division, which is considered minimal based on the number of transactions processed. Every possible effort is made by the Purchasing Division to ensure that the bid and contract award processes are conducted in strict accordance with the *West Virginia Code* and *Code of State Rules* to ensure fair and consistent treatment of vendors.

RFP Standard Format

Many changes were made during this fiscal year to reflect the changes to the *West Virginia Code* during the 2006 Regular Session of the State Legislature. Another document affected by these changes was the Request for Proposal (RFP) Standard Format.

Bid limit changes, elimination of the dual bid requirement and other issues that were addressed in the RFP Standard Format were revised as well as minor formatting and grammatical errors corrected.

The RFP Standard Format may be found at the web site for the Purchasing Division's Procedures Handbook (Appendix J) at <http://www.state.wv.us/admin/purchase/Handbook/2007R2/handJ.htm>. The format was modified to allow agency purchasers to provide vital information in an efficient, consistent manner.

Purchasing Affidavit

Effective October 13, 2006, the newly revised "*Purchasing Affidavit*," formerly referred to as the *No-Debt Affidavit*, became available on the Purchasing Division's Internet site at <http://www.state.wv.us/admin/purchase/vrc/nodebt.pdf>.

The 'licensing' section of this form reiterates the language presented in the Emergency Legislative Rule, as stated:

LICENSING:

Vendors must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, West Virginia Insurance Commission, or any other state agencies or political subdivision. Furthermore, the vendor must provide all necessary releases to obtain information to enable the Director or spending unit to verify that the vendor is licensed and in good standing with the above entities.

COMMUNICATION AND TECHNICAL SERVICES SECTION

This section is responsible for a variety of services offered to agency purchasers, the business community and to the general public. It focuses on technology, communication, training, new business development and administrative functions, such as vendor registration, records imaging, purchase order encumbrance, bid receipt and bid package distribution. The Communication Unit provides information related to the division as well as the individual programs which are administered by the division. The Technical Services Unit maintains the automated purchasing system, our networking services and the division's website. In addition, this unit oversees the administrative functions outlined above. Professional development is a vital aspect of the division. Conferences and seminars are offered throughout the year to offer guidance to our customers.

West Virginia Purchasing Bulletin

This publication, which contains information on purchasing requirements in excess of \$25,000, is published weekly and posted on the Purchasing Division's website. The Bulletin is secured, requiring vendors who wish to access the Bulletin to have their vendor number and password, which is provided to them by the Purchasing Division. Beginning in May of 2006, hyperlinks to solicitations were added to the online version of the ***West Virginia Purchasing Bulletin***.

The ***West Virginia Purchasing Bulletin*** was enhanced to accommodate the inclusion of the sole source determination notices (see page 7 for information on the sole source procurement process).

Vendor Registration

A total number of **9,250** vendor registration and disclosure statement forms, renewal notices and vendor updates were received for processing during the **Fiscal Year 2007**. Revenue generated from vendor registration fees during **Fiscal Year 2007** was **\$700,000**. The vendor registration annual fee is \$125 as a result of changes to the ***West Virginia Code***, effective June 8, 2006.

Purchase Order Encumbrance and Distribution

The West Virginia Financial Information Management System (WVFIMS) Purchase Order Encumbrance Module was successfully implemented May 1, 1998. As a result, all purchase orders and subsequent change orders with a fixed amount were placed on the Purchase Order Encumbrance system. A total of **3,124** purchase orders, including open-end contracts and change orders, were encumbered by the Purchasing Division for **Fiscal Year 2007**.

Records and Microfilming

All documents beginning with **Fiscal Year 2007** transactions were scanned and managed with the division's imaging system. Total pages scanned for the Purchasing Division, which contained purchase orders, change orders, vendor registration forms and all supporting documentation was **204,387** for **Fiscal Year 2007**.

Receipt of Incoming Sealed Bids

The Technical Services Unit is responsible for receiving sealed bids from vendors who are participating in the competitive bid process. This Unit received **2,280** incoming sealed bids for **Fiscal Year 2007**.

Governor's Internship Program

The Communication and Technical Services Section continued its participation in the Governor's Internship Program. For several years, this section has hired an intern through this valuable program to assist in the administration of its duties. David Beaufort, a junior at the University of Charleston, majoring in computer science, worked for the Technical Services Unit of this section.

Technological Initiatives

E-Procurement Initiatives

The Purchasing Division has implemented several e-procurement initiatives, including online solicitations and electronic viewing of bids received. The momentum of these efforts continue with future goals of continuing to research alternative options for a new automated system to replace the TEAM system, which was implemented in 1991. Discussion is currently underway at a statewide level to explore an Enterprise Resource Planning (ERP) system, which would incorporate many systems including financial, purchasing, and human resources.

Purchasing Website Statistics

The Purchasing Division maintains a web site on the Internet and the state's intranet. Information is regularly updated to accommodate changes in statewide contracts, bids and downloadable bid documents. This task is accomplished manually due to technological limitations.

During **Fiscal Year 2007**, the following statistics were realized relating to the Purchasing Division's website at www.state.wv.us/admin/purchase:

<i>Total Hits:</i>	3,114,689
<i>Unique Visitors:</i>	104,529
<i>Visitor Sessions:</i>	615,788
<i>Average Visitors Per Hour:</i>	11.92

In-House TEAM Training

The Technical Services Unit continues to provide training on the TEAM automated purchasing system upon request.

Purchasing Division Procedures Handbook

During **Fiscal Year 2007**, the Purchasing Division staff worked together in preparing the appropriate language for the Purchasing Division Procedures Handbook, which was distributed on July 1, 2007. This collaborative effort was productive in ensuring that this document was complete and accurate, but it also provided our staff a better understanding of many changes that went into effective with the revised **West Virginia Code** resulting from purchasing reform.

PROGRAM SERVICES SECTION

This section is responsible for several of the programs administered by the division. The Fleet Management Unit oversees the leasing of vehicles to state agencies. The Travel Management Unit offers guidance to state business travelers and oversees various statewide contracts for travel-related services. The Surplus Property Unit manages the state and federal programs for property no longer needed within the respective governments. The Fixed Assets Program maintains the state's inventory of property.

Fixed Assets - Inventory Management

The Purchasing Division successfully completed the implementation of the WVFIMS Fixed Asset System in 1996. State agencies reporting to the Purchasing Division are required to submit a certification to the Purchasing Division on or before July 15th of each year indicating that assets have been properly documented and retired in accordance with policy and procedures.

Agencies are required to enter their fixed assets with an acquisition value of \$1,000 or more into the WVFIMS Fixed Asset System and retire obsolete equipment in accordance with policy and procedure. There were **1,250** retirement documents (assets taken out of the Fixed Assets System) for a total dollar amount of **\$29,293,205.05**.

Agencies occasionally need to correct errors in their inventory. Data Change Requests must be completed and processed by the Surplus Property Unit when these corrections are made. During **Fiscal Year 2007**, the Surplus Property Unit processed **1,260** Data Change Requests.

The total dollar amount of assets entered into the Fixed Asset System for **Fiscal Year 2007** was **\$55,721,231.83**. Total dollar amount of assets currently in the system is **\$1,414,589,172.27**.

Fleet Management

State Vehicle Purchase

The Fleet Management Office completed the purchase of approximately **301** vehicles for model year 2007. The total amount spent on this year's vehicle order was approximately **\$5,307,948**. There were **282** vehicles financed through a third party and **19** vehicles purchased by cash. The Fleet Management Office met with each vendor on the statewide vehicle contract to explain the ordering process, in an attempt to eliminate any problems with the receipt or delivery of a vehicle.

Contract for Fuel and Maintenance of Vehicles

The contract was renewed with Automotive Resources International (ARI) to provide fuel and maintenance for approximately **1,600** vehicles in the Fleet Management Office.

Criteria for Retiring Vehicles

Effective March 9, 2007, the policy for vehicle retirement was changed to four years and 100,000 miles (see page 13 for more information on this change).

The previous policy for retiring vehicles was five years and 125,000 miles, requiring state agencies to drive and maintain their fleet vehicles beyond the most economical point of replacement. By extending the life of these fleet vehicles, additional maintenance costs escalated, downtime increased resulting in loss of productivity, and resale value was severely diminished.

Surplus Property

Fiscal Year 2007 Statistics

The following are totals for various programs administered by the West Virginia State Agency for Surplus Property:

Federal Online Sales	\$13,841.50
Federal Property Service Charge	32,434.00
State Property Service Charge	390,647.00
Public Auctions	570,306.65
Weekly Sealed Bids	466,581.42
Statewide Sealed Bids	<u>74,010.70*</u>
Total Revenue	\$1,547,821.27

*\$33,854.00 was received from the sale of helicopter parts.

State Vehicles

Approximately **408** vehicles were sold during Fiscal Year 2007. Below is a breakdown of the method by which they were sold:

Public Auction	231	\$442,530.00
Weekly Sealed Bids	125	446,145.80
Statewide Sealed Bids	11	1,934.00
Negotiated Sales	<u>41</u>	<u>\$173,450.00</u>
Totals	408	\$1,065,059.80

GSA Online Federal Auctions

In an effort to dispose of federal property currently warehoused in Dunbar but not needed by its eligible customers, the Surplus Property Unit utilizes online auctions, with the assistance of the U.S. General Services Administration (GSA). This federal agency works with each state to make federal surplus property available to eligible organizations.

The Surplus Property Unit gathers a list of federal property that has been on display in its warehouse for at least one year. These are items that would be of interest to a large audience of individuals and can be

sold as one item or a 'lot' of items, for example, a specified number of computers. This list is forwarded to GSA officials, with a description and photograph. The responsibility is then transferred to GSA to make it available on its online auction site (<http://www.gsaauctions.gov>).

During **Fiscal Year 2007**, the Surplus Property Unit disposed of **1,056** items for a total original acquisition cost of **\$1,338,395.47** by utilizing this GSA online sales method.

Travel Management Office

Travel Expenditures

The total amount of travel expenditures statewide for **Fiscal Year 2007** was **\$40,918,626.04**.

Statewide Contract for Car Rentals [Enterprise]

The total number of rental days for the **Fiscal Year 2007** was **11,676,928**. Based on an expenditure of **\$542,441.28**, the average cost of a rental car per day was **\$46.46**. Without a preferred car rental contract, the normal (average) daily rate is **\$68.00**, for a savings of **\$251,526.72**.

Statewide Contract for Travel Management Services [National Travel]

Year-end transactions include:

Exchanges	1,252
Refunds	82
Airline tickets	7,297
Service fees paid	\$186,386.10
Total Transactions	15,532
Cost	\$3,247,786.13
Full Fare	\$11,446,715.12
Savings	\$8,198,928.99

Statewide Contract for Travel Charge Card Services [United Bank MasterCard]

The statewide contract with MasterCard includes CDW insurance when renting a vehicle. The average rate for collision insurance is **\$21.00** per day. Based on a total of **6,056** rental days reported from United Bank, the state saved **\$127,176.00**.

Delta SkyMiles Bonus Tickets

Thirteen (13) free tickets were used for a total value of **\$14,960.38**.

Mileage Reimbursement Rate

Effective July 26, 2006, the state of West Virginia joined the Internal Revenue Service and the U.S. General Services Administration in increasing the standard mileage rate for business use of an automobile from **40.5** cents per mile to **44.5** cents per mile.

The standard rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The primary reason for the mileage increase is higher prices for fuel.

RECOGNIZING EXCELLENCE...



AWARD WINNERS

Recognizing agency employees working in state procurement who demonstrate qualities of excellence is important to our industry. These individuals serve as our role models. Because of their expertise, we learn from them and use them as valuable resources.

The Purchasing Division is pleased to continue two recognition programs which have been in existence for more than a decade: the **Agency Procurement Officer of the Year** and the **Partner in Purchasing**. The awards were announced at a special ceremony in December of 2006.

The criteria for these awards include such qualities as tenure, performance, internal training efforts, communication, cooperation and exerting a positive image.

2006 Agency Procurement Officer of the Year Gloria Anderson of the Division of Culture and History

The Agency Procurement Officer of the Year award began in 1996. Its purpose is to recognize each year, one individual working in the procurement field who has demonstrated high levels of performance and professionalism.

Gloria Anderson, a procurement officer for the Division of Culture and History, was the recipient of the **2006 Agency Procurement Officer of the Year**.

This year marks the 11th year the Purchasing Division has offered this award which recognizes one individual who has demonstrated professionalism and quality performance in the state's governmental purchasing field. This program focuses on the value of the expertise and cooperation of those individuals at the agency level who handle their daily purchasing operations.

The criteria used to select the **Agency Procurement Officer of the Year** includes tenure, performance, communication skills, internal training efforts, cooperation with her agency and the Purchasing Division staff, creating a positive image, good purchasing practices and participation in professional organizations.



Purchasing Director Dave Tinchler recognized Gloria Anderson of the Division of Culture and History as the 2006 Agency Procurement Officer of the Year.

Gloria serves as the agency procurement officer for her agency and has more than 25 years of experience in state public procurement. Some of the attributes describing her by her supervisors and peers include professional, knowledgeable and competent. She has demonstrated a tireless effort that has resulted in monumental savings over the years and has created trusted contacts within

state government and in the vendor community. Gloria has been labeled by her peers as a 'devoted comparison shopper.'

As this year's recipient of this program, Anderson received an engraved clock; a certificate signed by Governor Joe Manchin, Cabinet Secretary of Administration Robert Ferguson, Jr. and Purchasing Director Dave Tincher; and free registration and lodging to the 2007 Agency Purchasing Conference.

2006 Partner in Purchasing Bryan Arthur of the Division of Corrections

The Partner in Purchasing award recognizes an individual annually who has exceeded expectations in working with the various programs administered by the Purchasing Division, including Fleet Management, Fixed Assets, Surplus Property, TEAM and Travel Management.

Bryan Arthur, the Agency Fleet Coordinator at the Division of Corrections, is our **2006 Partner in Purchasing** recipient. Although this award has similar criteria as the **Agency Procurement Officer of the Year**, the focus is not on procurement but in other programs which the Purchasing Division administers. This is the seventh year this award has been offered.

In serving as the fleet coordinator for his agency, Bryan reviews all requests from the Division of Corrections and assembles the necessary information to ensure the final submission of the yearly vehicle requests are complete and timely.

He provides a well organized, outstanding work product, according to Bryan's peers and supervisors. He communicates well with all fleet coordinators and the Fleet Management Office and receives positive feedback from his agency's field staff. Bryan is always willing to go above and beyond in assisting the agency and Fleet Management Office and is labeled as effective, pleasant and a great team leader.

His creativity has resulted in the reduction of unnecessary tasks and paperwork, while ensuring all fleet guidelines are followed accordingly.

As the recipient of this year's **Partner in Purchasing**, Bryan received an engraved plaque; a certificate of recognition signed by Governor Manchin, Secretary Ferguson and Purchasing Director Tincher; and free lodging and registration to the 2007 Agency Purchasing Conference.



Bryan Arthur, the Fleet Coordinator for the Division of Corrections, was the 2006 recipient of the Partner in Purchasing award.



PURCHASE ORDER SUMMARY

Resident Vendor Analysis:

Vendor	Count (#)	Percent (#)	Value (\$)	Percent (\$)
West Virginia	965	68.88%	\$182,724,141.11	57.24%
Non West Virginia	436	31.12%	\$136,481,043.57	42.76%
TOTAL	1,401	100%	\$319,205,184.68	100%

The average purchase order amount for FY 2006 was \$227,840.96.

*Please note the agency designated spending limit increased from \$10,000 to \$25,000, effective June 8, 2006

Agency Analysis:

Top 10 Agencies	Count (#)	Percent (#)	Value (\$)	Percent (\$)
Highways	397	28.34%	\$81,570,536.35	25.55%
DHHR	130	9.28%	\$39,804,504.19	12.47%
Administration	142	10.14%	\$32,662,689.98	10.23%
DEP	125	8.92%	\$30,523,960.07	9.56%
Public Transit	18	1.28%	\$11,701,713.50	3.67%
Natural Resources	73	5.21%	\$9,821,840.38	3.08%
Eng. and Facilities	14	1.00%	\$6,081,199.92	1.91%
Education	32	2.28%	\$5,086,805.41	1.59%
Culture and History	4	0.29%	\$4,853,908.00	1.52%
Corrections	26	1.86%	\$4,264,141.10	1.34%
Other	440	31.41%	\$92,833,885.78	29.08%
TOTAL	1,401	100%	\$319,205,184.68	100%



Senate Bill 203

Purchasing Improvement Fund

This bill created a Purchasing Improvement Fund under the Department of Administration. It requires the Auditor to transfer 15.5 percent of all purchasing card rebate monies into the fund for use by the Purchasing Division.

House Bill 2616

Legislative Rules for Cannibalization and Waste Disposal

This bill authorized the Department of Administration to promulgate legislative rules for the Consolidated Public Retirement Board, Division of Personnel, Purchasing Division, Board of Risk and Insurance Management and the Cabinet Secretary's office. The two legislative rules which were approved relating to the Purchasing Division were for cannibalization and waste disposal of surplus property.

House Bill 3117

Contractors License

This bill clarified that contractors must have a state contractor's license in order to submit a bid with the state of West Virginia. Previously, they were only required to have a state license to be awarded a contract and could bid without being licensed.

DIVISION OBJECTIVES



Objective #1

Ensure the purchasing process functions in an expeditious and conscientious manner.

- Maintain an average procurement cycle of 30 days or less.

Objective #2

Continue forward progression on e-procurement initiatives, including evaluation of current system and possible replacement.

Objective #3

Provide educational and informative tools to agency procurement officers to ensure the State is achieving best value.

- Provide training on purchasing rules, regulations, and procedures to at least 75% representation of all state agencies under the Purchasing Division's authority (excluding boards and commissions) on an annual basis.
- Create an online and in-house training program for state agencies on various topics relating to the state purchasing process.

Objective #4

Ensure accountability to the state through proactive auditing and documentation review.

- Maintain a rate for formal protests of less than 4% through dispute resolution and process education.