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CABINET SECRETARY

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
2019 WASHINGTON STREET, EAST
CHARLESTON, WEST VIRGINIA 25305-0130

W. MICHAEL SHEETS
DIRECTOR

July 18, 2019

Darby Clayton, Acting District Manager/Engineer
Division of Highways, District 4
I-79 and Meadowbrook Road
Clarksburg, West Virginia 26032

Dear Mr. Clayton:

This is to transmit the final copy of the Purchasing Review of the West Virginia Division of Highways, District 4.

A preliminary copy of this report was submitted to your agency for comment. Where significant comments were returned by your agency we have included those as part of this final review report.

A Corrective Action Plan Request will follow requesting your response to all of the compliance issues identified in this report.

Thank you for your cooperation and that of your staff during this review.

Respectfully,

A handwritten signature in black ink, appearing to read "W. Michael Sheets".

W. Michael Sheets, CPPO
Director
West Virginia Purchasing Division

Enclosure

cc: Bryan Henry, Comptroller, Division of Highways, District 4
Maria Catalano, Auditor, Division of Highways
Byrd E. White, Cabinet Secretary, Department of Transportation

WV PURCHASING DIVISION INSPECTION REPORT

DEPARTMENT OF TRANSPORTATION

West Virginia Department of Highways District 4

FISCAL YEAR
2018

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INTRODUCTION

The Purchasing Division is broadly charged with the development and oversight of the procurement functions of state spending units under its authority. That authority is found in Chapter 5A, Article 3 of the West Virginia Code, and Title 148, Series 1, of the West Virginia Code of State Rules. That mandate requires that the Purchasing Division “appoint inspectors to review and audit spending unit requests and purchases and other transactions and performance.” W. Va. CSR § 148-1-4.14. The Purchasing Division’s Inspection Services Unit performs this function by regularly conducting inspections of all spending units subject to Purchasing Division oversight.

The Purchasing Division Inspection Services Unit conducted an onsite inspection of the Division of Highways District 4 for the period of July 1, 2017 through June 30, 2018. Notice of the inspection was provided on January 18, 2019 and the inspection commenced on February 25, 2019. The results of the inspection are contained within this report.

SCOPE

The scope of the inspection was focused on determining whether the Division of Highways District 4's procurement transactions for the period of July 1, 2017 through June 30, 2018 were, in all material respects, in compliance with applicable provisions of the West Virginia Code, the Code of State Rules and the Purchasing Division Procedures Handbook in effect during that time period.

Inspectors utilized spending unit payment transactions to identify potential violations with a primary focus on those transactions processed at the spending unit level without Purchasing Division involvement. Those transactions included, but were not limited to, agency delegated procurements, Section 9 procurements, agency delivery orders, General Accounting Expenditure ("GAX") payments, and P-Card payments. Notwithstanding this general focus, however, Inspectors can review any transaction or internal procurement operating procedures that they deem relevant.

As noted above, the transaction review was conducted to ensure compliance with applicable provisions of the West Virginia Code, the Code of State Rules and the Purchasing Division Procedures Handbook. More specifically, the scope of the inspection included, but was not limited to, an examination to determine if any of the following infractions had been committed:

- (1) Failure to bid at central level (Stringing)[Required to be reported to the Legislature twice annually]
- (2) Internal resources not utilized,
- (3) Statewide contract not utilized,
- (4) Failure to bid at delegated level,
- (5) Vendor registration unverified and wrong vendor fee exemption code utilized
- (6) Failure to verify compliance checks
 - a. Unemployment
 - b. Workers' compensation
 - c. Vendor status with Secretary of State's office
 - d. Debarred vendor list
- (7) Failure to include notarized Purchasing Affidavit,
- (8) Failure to issue wvOASIS procurement award document,
- (9) Lack of compliance with fixed asset requirements (asset tags),
- (10) Failure to include Certification of Non-Conflict of Interest form,
- (11) Miscellaneous Issues
 - a. Improper award (Unjustified award to other than lowest responsible bidder meeting specifications),
 - b. Leases exceeding six months not processed centrally
 - c. Other as needed

SUMMARY

During the period under review, the spending unit processed 16,983 procurement transactions with a value of 66,110,160.20. (These amounts are approximate, subject to reporting limitations from wvOASIS (including possible data entry error) and errors caused by elimination of duplicate results). Of those transactions, the Inspector selected 630 for review which represents approximately 4% of the total. This inspection of 630 selected transactions yielded 134 findings associated with 90 of the selected transactions. This means that approximately 14% of the transactions reviewed had one or more instances of noncompliance with applicable provisions of the West Virginia Code, the Code of State Rules and the Purchasing Division Procedures Handbook. The findings are further illustrated in the attached Findings Grid and Grading Sheet.

The inspection also revealed that on 54 occasions, the spending unit failed to obtain competitive bids as required by the applicable dollar level of spend. That number is comprised of 6 instances of failing to bid at the central level (also known as stringing), and 48 instances of failing to bid at the delegated level. Any instances of failure to bid at the central level will be reported to the Legislature as required by the West Virginia Code.

Based on the findings contained in this report, the Purchasing Division recommends the spending unit work to improve any areas of noncompliance. Given that the agency received a score of 74.8 D on the inspection and there was a pattern of findings or one or more case of stringing, the first step must be the completion of a Corrective Action Plan, a request for which will be provided to you after this inspection is finalized.

Grading Sheet

West Virginia Division of Highways District 4 FY2018 Statistics

Transactions Reviewed	630
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Non-Conformance Rate (See Summary Page)	14.0%
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Conformance Rate	86.0%
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Findings Summary

Finding Category	Number of Findings	Finding Percentage	Points possible	Points Received
Stringing	6	0.95%	30	6
Statewide Contract	4	0.63%	15	12
Internal Resources	0	0.00%	15	15
Failure to Bid	51	8.10%	15	9
Vendor Registration	0	0.00%	5	5
Verification Searches	31	4.92%	5	4
Affidavit	31	4.92%	5	4
wvOasis Award Document	5	0.79%	3	2.4
Asset Tag/Number	0	0.00%	3	3
Certification of Non-Conflict of Interest	5	0.79%	3	2.4
Miscellaneous Issue	1	0.16%	1	0.8
Total	134		100	63.6

Overall Agency Score

Non-Conformance & Findings Average	Overall Letter Grade
74.8%	D

Scale (See Weight Application*)

91.66 -- 100 = A
83.33 -- 91.65 = B
75 -- 83.32 = C
66.66 -- 74.99 = D
<66.65 = F

The Finding Summary and Number of Findings does not directly correlate with the Transactions Reviewed and Non-Conformance Rate because each transaction can yield multiple findings, and findings like stringing can include multiple transactions in a single finding.

EXHIBIT A: DETAILED INSPECTION FINDINGS

Issue 1: Failure to bid at central level (Stringing)

Authority: W. Va. Code § 5A-3-10; Procedures Handbook Section 6

Explanation: State law mandates that the Purchasing Division competitively bid for the purchase of commodities and services estimated to exceed twenty-five thousand dollars. The law also prohibits a spending unit from issuing a series of requisitions or divide or plan procurements to circumvent this twenty-five thousand dollar threshold. The transactions listed below violated this legal mandate and will be reported to the West Virginia Legislature as required by law.

Transactions in Violation: (6 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/26/18	Core drill	MPE Rentals	\$248.64	PRCC15*7466

Additional Detail: Although the individual transaction listed above falls below bid limits, the agency spent \$26,035.18 with the listed vendor during the fiscal year under review.

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/21/18	Cutting edge	Quality Machine Co.	\$902.80	PRCC15*5698

Additional Detail: Although the individual transaction listed above falls below bid limits, the agency spent \$62,369.63 with the listed vendor during the fiscal year under review.

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/25/18	Parts	Newlons International	\$602.81	PRCC15*9672

Additional Detail: Although the individual transaction listed above falls below bid limits, the agency spent \$71,270.15 with the listed vendor during the fiscal year under review.

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/25/18	Auto body repair	SQ Loves Painting	\$1,325.00	PRCC15*9674

Additional Detail: Although the individual transaction listed above falls below bid limits, the agency spent \$25,442.25 with the listed vendor during the fiscal year under review.

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
05/22/18	Time switch	State Elec Supply	\$166.98	PRCC15*9274

Additional Detail: Although the individual transaction listed above falls below bid limits, the agency spent \$39,886.53 with the listed vendor during the fiscal year under review.

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/21/18	Parts	Truck Pro	\$215.68	PRCC15*0030

Additional Detail: Although the individual transaction listed above falls below bid limits, the agency spent \$30,456.19 with the listed vendor during the fiscal year under review.

Purchasing Division Recommendation:

1. The Purchasing Division recommends that the spending unit establish central contracts through the Purchasing Division for each of the items included above and any other commodities or services that will exceed \$25,000 in a rolling 12 month period.
2. The Purchasing Division recommends that the spending unit utilize wvOASIS to create reports that will allow the spending unit to track spend and determine when spending is closing to exceeding the \$25,000 limit.
3. The Purchasing Division recommends that the spending unit forecast future needs for its commodities and services to determine in advance what should be procured at the central level.
4. The Purchasing Division recommends that the spending unit's procurement officer participate in training on this topic offered by the Purchasing Division and ensure that all procurement staff understand how to comply with this requirement moving forward

Issue 2: Internal Resource Not Utilized

Authority: W. Va. Code §§ 25-7-5 and 5A-3-10; Procedures Handbook Section 3.6.1

Explanation: State law mandates that certain social welfare programs be utilized prior to a spending unit obtaining commodities and services in the open market. Those programs include the Sheltered Workshops established to assist disabled individuals in finding employment, and the Correctional Industries program that provides prison inmates with meaningful work. The transactions listed below should have been obtained from one of these programs, or a waiver should have been obtained. The inspection revealed that the transactions were outside of the internal programs and no waiver was granted.

Transactions in Violation: (0 Instances)

Purchasing Division Recommendation:

1. The Purchasing Division recommends that the spending unit personnel become familiar with what is available from internal sources and either procure those commodities and services from internal sources or obtain a waiver from the Purchasing Division.
2. The Purchasing Division recommends that the spending unit's procurement officer participate in training on this topic offered by the Purchasing Division and ensure that all procurement staff understand how to comply with this requirement moving forward.

Issue 3: Statewide Contract Not Utilized

Authority: W. Va. CSR § 148-1-7.4.c.; Procedures Handbook Section 3.6.2

Explanation: The Purchasing Division has authority to establish contracts at a statewide level to secure economies of scale that would not be possible on an agency by agency basis. Once established, the Purchasing Division can mandate that spending units utilize those statewide contracts. For the transactions listed below, the spending unit has obtained the commodity or service in question outside of an available statewide contract without a valid waiver.

Transactions in Violation: (4 Instances) The 4 instances of not utilizing Statewide Contracts will be reflected in the **Finding** Summary of the Grading Sheet. Due to the grouping of same or similar commodities or services, the transactions reviewed not utilizing Statewide Contracts totals 27 and will reflect this in the **Non-Conformance Rate** of the Grading Sheet.

1 Instance (grouped)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>	<u>SW Contract</u>
06/26/18	Copier rental	Administrative Ser.	244.62	PRCC15*0083	<u>OFFICE</u>
04/29/18	Copier rental	Hart Office Sol.	\$107.26	PRCC15*6022	<u>OFFICE</u>

1 Instance (grouped)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>	<u>SW Contract</u>
03/12/18	Hand tools	Allegheny Indust.	\$453.84	PRCC15*4555	<u>INDEQP</u>
09/10/17	Shop press	Coastal Tool Supp.	\$739.10	PRCC15*3746	<u>INDEQP</u>
02/04/18	Safety vest	Discount Industrial	\$476.00	PRCC15*0493	<u>INDEQP</u>
11/19/17	Winch	Harbor Freight	\$312.95	PRCC15*9662	<u>INDEQP</u>
02/08/18	Band saw blade	HEM Saw	\$83.49	PRCC15*0071	<u>INDEQP</u>
07/24/17	Safety vest	Hi Viz Safety	\$2,227.50	PRCC15*5725	<u>INDEQP</u>
05/16/18	Tool	IN TNT Industrial	\$119.80	PRCC15*9695	<u>INDEQP</u>
06/24/18	Tool	Northern Tool	\$698.00	PRCC15*3899	<u>INDEQP</u>
06/11/18	Weed eater string	PASS	\$345.30	PRCC15*3146	<u>INDEQP</u>
09/17/17	Tool Chest	Sears	\$459.98	PRCC15*1640	<u>INDEQP</u>
03/16/18	Tools	Home Depot	\$139.66	PRCC15*9374	<u>INDEQP</u>
04/26/18	Safety vest	TNT Unlimited	\$309.00	PRCC15*3508	<u>INDEQP</u>
05/15/18	Floor jack	Tool Discounter	\$2,337.35	PRCC15*2459	<u>INDEQP</u>
02/15/18	Drill bits	Toolsect	\$258.00	PRCC15*2797	<u>INDEQP</u>
08/23/17	Drill bits	Valley Supply	\$57.76	PRCC15*7647	<u>INDEQP</u>

1 Instance (grouped)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>	<u>SW Contract</u>
02/07/18	Auto parts	Advanced Auto	\$102.89	PRCC15*3370	<u>MVAPRTS</u>
04/09/18	Auto parts	Autozone	\$47.99	PRCC15*8791	<u>MVAPRTS</u>
07/31/17	Auto parts	Chenoweth Ford	\$97.67	PRCC15*6995	<u>MVAPRTS</u>
10/19/17	Auto parts	Fisher Auto Parts	\$288.16	PRCC15*7510	<u>MVAPRTS</u>
05/21/18	Auto parts	Freedom Ford	\$180.52	PRCC15*9655	<u>MVAPRTS</u>
04/10/18	Auto parts	Jenkins Auto Parts	\$283.80	PRCC15*1184	<u>MVAPRTS</u>
12/08/17	Auto parts	Scott Ford	\$58.82	PRCC15*5359	<u>MVAPRTS</u>
12/27/17	Auto parts	Urse Dodge	\$236.07	PRCC15*3570	<u>MVAPRTS</u>
02/09/18	Auto parts	Valley Auto Parts	\$55.96	PRCC15*2509	<u>MVAPRTS</u>

1 Instance

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>	<u>SW Contract</u>
06/04/18	Light bulbs	V & W Electrical	\$2,073.50	PRCC15*3386	<u>LIGHT</u>

Additional Detail: The transactions listed above must be purchased from the Statewide Contacts indicated.

Purchasing Division Recommendation:

1. The Purchasing Division recommends that the spending unit personnel become familiar with what is available from statewide contracts and either procure those commodities and services from statewide contracts or obtain a waiver from the Purchasing Division.
2. The Purchasing Division recommends that the spending unit's procurement officer participate in training on this topic offered by the Purchasing Division and ensure that all procurement staff understand how to comply with this requirement moving forward.

Issue 4: Failure to bid at delegated level

Authority: W.Va. Code § 5A-3-11(a); W. Va. CSR § 148-1-7.2; Procedures Handbook Section 5

Explanation: The Purchasing Division has established competitive bidding requirements that spending units must follow when procuring commodities and services below \$25,000, and above \$2,500.01. For those transactions listed below, the spending unit has failed to obtain and document competitive bids as required.

Transactions in Violation: (48 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
05/28/18	Auto glass	All American Glass	\$489.00	PRCC15*1736
06/15/18	Bits	Asphalt Zipper	\$1,917.49	PRCC15*7492
11/08/17	Pump	Dultmeier Sales	\$1,661.00	PRCC15*0712
03/12/18	Kerosene	Eglon Farm Service	\$2,280.56	PRCC15*1579
06/06/18	Water	Franks Coffee	\$32.45	PRCC15*0772
06/26/18	Parts	Fredericks Repair	\$179.50	PRCC15*9691
05/25/18	Windshield	Glass Unlimited	\$597.00	PRCC15*1729
06/05/18	Used oil collection	H & H Oil	\$202.05	PRCC15*3357
06/25/18	Tow	Hillbilly Truck	\$297.38	PRCC15*5697
06/22/18	Fire Extinguisher inspection	IN J. T. Martin	\$97.00	PRCC15*7457
03/01/18	Filter	IN Morgantown Supp.	\$414.00	PRCC15*6860
06/05/18	Radiator repair	Johnny's Radiator	\$379.00	PRCC15*9125
06/14/18	Hydraulic hose	Mill Run Enterprises	\$64.60	PRCC15*3200
06/22/18	Parts	Mine Belt Services	\$387.55	PRCC15*7459
01/23/18	Tow	Nicholson Auto	\$150.00	PRCC15*5486
06/21/18	Filters	Remichel	\$209.28	PRCC15*5486
06/08/18	Glass	S & M Glass	\$360.00	PRCC15*5511
06/11/18	Pest control	Standard Exterminating	\$357.00	PRCC15*8726
03/27/18	Grate	The Foster Company	\$245.00	PRCC15*8728
05/09/18	Septic service	Watters Pools	\$2,320.00	PRCC15*0977
05/18/18	Auto glass	WV Auto Glass	\$180.00	PRCC15*1774
06/25/18	Steel	Wilson Steel Works	\$250.40	PRCC15*9685

Additional Detail: Although the individual transactions listed above may fall below the verbal bid limit, the agency aggregate spend for the vendor exceeded the bid threshold.

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/15/18	Parts	Best Line Equipment	\$1,433.67	PRCC15*5290
06/21/18	Door repair	Capital Doors	\$1,409.00	PRCC15*1533
12/26/17	Parts	Cleveland Brothers	\$310.40	PRCC15*7475
04/10/18	Asphalt Release	Crowne Chemical	\$2,204.44	PRCC15*6680
03/18/18	Hydraulic hose	Fairmont Supply	\$123.57	PRCC15*4066
06/21/18	Plumbing parts	Ferguson ENTS.	\$1,676.00	PRCC15*7524
04/29/18	Filters	Fleetpride	\$358.69	PRCC15*3515
07/21/17	Parts	FYDA Freightliner	\$560.88	PRCC15*8563
06/08/18	Hose	Garrett Industrial	\$146.75	PRCC15*6323
07/31/17	Parts	Habegger-Myers	\$204.00	PRCC15*8623
06/22/18	Ice	Home City Ice	\$271.80	PRCC15*7448
06/05/18	Fleet wash	Hotsy Equipment	\$523.60	PRCC15*6335
08/09/17	Steel	Huntington Steel	\$6,900.00	PRCC15*8463
06/14/18	Clamps/fuses	Kimball Midwest	\$311.22	PRCC15*3197
06/26/18	Parts cleaner	Kleenline Parts	\$60.00	PRCC15*1873
02/19/18	Tow	Larew Auto	\$375.00	PRCC15*2806
05/11/18	Parts	Mountain Tarp	\$794.26	PRCC15*8355
06/22/18	Hydraulic parts	Nova Rubber	\$190.00	PRCC15*7451
06/11/18	Parts	Point Spring & Drive	\$130.70	PRCC15*8798
11/20/17	Parts	Preston Parts	\$585.39	PRCC15*2545
03/05/18	Liquid disposal	Ryan Environmental	\$1,278.00	PRCC15*6879
06/26/18	Metal	Sosmetal	\$551.15	PRCC15*9671
06/26/18	Hydrovac	SQ Atlas Group	\$3,750.00	PRCC15*7467
05/09/18	Winch out	Summers Towing	\$1,500.00	PRCC15*3490
04/08/18	Elevator maintenance	Thyssenkrupp	\$1,335.73	PRCC15*6627
06/26/18	Mat rental	Ufirst Laundry Svcs	\$247.63	PRCC15*1902
06/13/18	Mat rental	Ufirst Laundry Corp	\$297.21	PRCC15*3235
01/30/18	Plow shoes	Valk Manufacturing	\$634.75	PRCC15*1291
06/14/18	Shop supplies	Whaley Distributing	\$330.06	PRCC15*8753

Additional Detail: Although the individual transactions listed above may fall below the written bid limit, the agency aggregate spend for the vendor exceeded the bid threshold.

Purchasing Division Recommendation:

1. The Purchasing Division recommends that the spending unit follow the requirements associated with each delegated spending limit.
2. The Purchasing Division recommends that the spending unit utilize wvOASIS to create reports that will allow the spending unit to track spend and determine when spending is closing to exceeding spending limits.
3. The Purchasing Division recommends that the spending unit forecast future needs for its commodities and services to determine in advance what should be competitively bid at delegated verbal and written bid levels.
4. The Purchasing Division recommends that the spending unit's procurement officer participate in training on this topic offered by the Purchasing Division and ensure that all procurement staff understand how to comply with this requirement moving forward.

Issue 5: Vendor Registration Unverified/Wrong Vendor Fee Exemption Code Utilized

Authority: W. Va. CSR § 148-1-6.1; Procedures Handbook Section 4

Explanation: The agency must verify that the vendor is registered, and the registration fee paid, if applicable. The registration process includes having the proper disclosure of information in the wvOASIS vendor/customer account. Certain vendors are exempted from paying the vendor registration fee mandated by the authority referenced above. wvOASIS has created fee exemption codes that allow the spending unit to designate the appropriate exemption code on a transactional basis.

Transactions in Violation: (0 Instances)

Purchasing Division Recommendation:

1. The Purchasing Division recommends that the spending unit's procurement officer participate in training on this topic offered by the Purchasing Division and ensure that all procurement staff understand how to comply with this requirement moving forward.
2. The Purchasing Division recommends that the spending unit contact the Vendor Registration section within the Purchasing Division if there is uncertainty about when and how to apply a vendor fee exemption code.

Issue 6: Failure to Verify Compliance Checks

(Workers Comp, Unemployment, Sec. of State, Debarment)

Authority: W. Va. CSR § 148-1-6.1.e.; Procedures Handbook Section 5.2.3.

Explanation: The authority cited above requires that a vendor be licensed and in good standing in accordance with 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 other state agencies or political subdivisions prior to being awarded a contract. The mandated compliance checks were not included in the transactions listed below.

Transactions in Violation: (31 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/15/18	Parts	Best Line Equipment	\$1,433.67	PRCC15*5290
07/20/17	Used engine	Bills Used Parts	\$5,450.00	PRCC15*8581
06/21/18	Door repair	Capital Doors	\$1,409.00	PRCC15*1533
12/26/17	Parts	Cleveland Brothers	\$310.40	PRCC15*7475
04/10/18	Asphalt Release	Crowne Chemical	\$2,204.44	PRCC15*6680
03/18/18	Hydraulic hose	Fairmont Supply	\$123.57	PRCC15*4066
06/21/18	Plumbing parts	Ferguson ENTS.	\$1,676.00	PRCC15*7524
04/29/18	Filters	Fleetpride	\$358.69	PRCC15*3515
07/21/17	Parts	FYDA Freightliner	\$560.88	PRCC15*8563
06/08/18	Hose	Garrett Industrial	\$146.75	PRCC15*6323
07/31/17	Parts	Habegger-Myers	\$204.00	PRCC15*8623
06/22/18	Ice	Home City Ice	\$271.80	PRCC15*7448
06/05/18	Fleet wash	Hotsy Equipment	\$523.60	PRCC15*6335
08/09/17	Steel	Huntington Steel	\$6,900.00	PRCC15*8463
06/14/18	Clamps/fuses	Kimball Midwest	\$311.22	PRCC15*3197
06/26/18	Parts cleaner	Kleenline Parts	\$60.00	PRCC15*1873
02/19/18	Tow	Larew Auto	\$375.00	PRCC15*2806
05/11/18	Parts	Mountain Tarp	\$794.26	PRCC15*8355
06/22/18	Hydraulic parts	Nova Rubber	\$190.00	PRCC15*7451
06/11/18	Parts	Point Spring & Drive	\$130.70	PRCC15*8798
11/20/17	Parts	Preston Parts	\$585.39	PRCC15*2545
03/05/18	Liquid disposal	Ryan Environmental	\$1,278.00	PRCC15*6879
06/26/18	Metal	Sosmetal	\$551.15	PRCC15*9671
06/26/18	Hydrovac	SQ Atlas Group	\$3,750.00	PRCC15*7467
06/21/18	Emg. tree removal	SQ Steve Saltis	\$1,200.00	PRCC15*0042
05/09/18	Winch out	Summers Towing	\$1,500.00	PRCC15*3490
04/08/18	Elevator maintenance	Thyssenkrupp	\$1,335.73	PRCC15*6627
06/26/18	Mat rental	Ufirst Laundry Svcs	\$247.63	PRCC15*1902

06/13/18	Mat rental	Ufirst Laundry Corp	\$297.21	PRCC15*3235
01/30/18	Plow shoes	Valk Manufacturing	\$634.75	PRCC15*1291
06/14/18	Shop supplies	Whaley Distributing	\$330.06	PRCC15*8753

Additional Detail: Although the above transactions may fall below the limit requiring it to be present, the aggregate amount exceeds \$2,500.00

Purchasing Division Recommendation:

1. The Purchasing Division recommends that the spending unit perform all compliance checks mandated by the Handbook and properly document those compliance checks in the contract file.
2. The Purchasing Division recommends that the spending unit's procurement officer participate in training on this topic offered by the Purchasing Division and ensure that all procurement staff understand how to comply with this requirement moving forward.

Issue 7: Purchasing Affidavit Not Included

Authority: W. Va. Code §§ 5A-3-10a and 5-22-1; Procedures Handbook Section 5.2.3.

Explanation: West Virginia law has several restrictions against awarding a contract to a vendor that owes a debt to the State or its political subdivisions. The Purchasing Affidavit must be signed by the vendor prior to contract award to obtain assurance that the vendor is in compliance with the statutory mandates.

Transactions in Violation: (31 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/15/18	Parts	Best Line Equipment	\$1,433.67	PRCC15*5290
06/21/18	Door repair	Capital Doors	\$1,409.00	PRCC15*1533
12/26/17	Parts	Cleveland Brothers	\$310.40	PRCC15*7475
04/10/18	Asphalt Release	Crowne Chemical	\$2,204.44	PRCC15*6680
03/18/18	Hydraulic hose	Fairmont Supply	\$123.57	PRCC15*4066
06/21/18	Plumbing parts	Ferguson ENTS.	\$1,676.00	PRCC15*7524
04/29/18	Filters	Fleetpride	\$358.69	PRCC15*3515
07/21/17	Parts	FYDA Freightliner	\$560.88	PRCC15*8563
06/08/18	Hose	Garrett Industrial	\$146.75	PRCC15*6323
07/31/17	Parts	Habegger-Myers	\$204.00	PRCC15*8623
06/22/18	Ice	Home City Ice	\$271.80	PRCC15*7448
06/05/18	Fleet wash	Hotsy Equipment	\$523.60	PRCC15*6335
06/14/18	Clamps/fuses	Kimball Midwest	\$311.22	PRCC15*3197
06/26/18	Parts cleaner	Kleenline Parts	\$60.00	PRCC15*1873
02/19/18	Tow	Larew Auto	\$375.00	PRCC15*2806
05/11/18	Parts	Mountain Tarp	\$794.26	PRCC15*8355
06/22/18	Hydraulic parts	Nova Rubber	\$190.00	PRCC15*7451
06/11/18	Parts	Point Spring & Drive	\$130.70	PRCC15*8798
11/20/17	Parts	Preston Parts	\$585.39	PRCC15*2545
03/05/18	Liquid disposal	Ryan Environmental	\$1,278.00	PRCC15*6879
06/26/18	Metal	Sosmetal	\$551.15	PRCC15*9671
06/26/18	Hydrovac	SQ Atlas Group	\$3,750.00	PRCC15*7467
06/21/18	Emg. tree removal	SQ Steve Saltis	\$1,200.00	PRCC15*0042
05/09/18	Winch out	Summers Towing	\$1,500.00	PRCC15*3490
04/08/18	Elevator maintenance	Thyssenkrupp	\$1,335.73	PRCC15*6627
06/26/18	Mat rental	Ufirst Laundry Svcs	\$247.63	PRCC15*1902
06/13/18	Mat rental	Ufirst Laundry Corp	\$297.21	PRCC15*3235
01/30/18	Plow shoes	Valk Manufacturing	\$634.75	PRCC15*1291
06/14/18	Shop supplies	Whaley Distributing	\$330.06	PRCC15*8753

Additional Detail: Although the above transactions may fall below the limit requiring it to be present, the aggregate amount exceeds \$5,000.00

07/20/17	Used engine	Bills Used Parts	\$5,450.00	PRCC15*8581
08/09/17	Steel	Huntington Steel	\$6,900.00	PRCC15*8463

Purchasing Division Recommendation:

1. The Purchasing Division recommends that the spending unit obtain a properly completed Purchasing Affidavit and maintain a copy in the contract file for all transactions exceeding \$5,000.01 (the threshold for obtaining written bids).
2. The Purchasing Division recommends that the spending unit's procurement officer participate in training on this topic offered by the Purchasing Division and ensure that all procurement staff understand how to comply with this requirement moving forward.

Issue 8: wvOASIS Award Document Not Issued

Authority: Procedures Handbook Section 5.1.2

Explanation: The Purchasing Division Procedures Handbook requires that a procurement award document be issued for all purchases exceeding \$2,500 in value. This requirement ensures that the transaction is recorded in wvOASIS in a way that allows it to be easily identified and tracked and helps to prevent spending in violation of procurement laws, rules, and procedures.

Transactions in Violation: (5 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
07/20/17	Used engine	Bills Used Parts	\$5,450.00	PRCC15*8581
08/09/17	Steel	Huntington Steel	\$6,900.00	PRCC15*8463
04/08/18	Transmission repair	Melvin's Transmission	\$2,511.72	PRCC15*4717
04/15/18	Hood	Rydemore	\$2,659.88	PRCC15*8488
06/26/18	Hydrovac	SQ Atlas Group	\$3,750.00	PRCC15*7467

Purchasing Division Recommendation:

1. The Purchasing Division recommends that the spending unit issue a purchase order through wvOASIS and maintain a copy in the contract file for all transactions exceeding \$2,500.01 (the threshold for obtaining verbal bids).
2. The Purchasing Division recommends that the spending unit's procurement officer participate in training on this topic offered by the Purchasing Division and ensure that all procurement staff understand how to comply with this requirement moving forward.

Issue 9: Asset Tag Not Affixed

Authority: W. Va. Code § 5A-3-34; Surplus Property Operations Manual, Part II, Section 1.4

Explanation: The Surplus Property Operations Manual requires that all reportable assets must have a numbered identification tag affixed to the asset. Agencies are responsible for obtaining and placing the proper tags on the assets. This method of tagging assets helps to easily identify state assets during physical inspection and to guard against asset theft.

Transactions in Violation: (0 Instances)

Purchasing Division Recommendation:

1. The Purchasing Division recommends that the spending unit obtain a properly affix asset tags to all reportable assets. In conjunction with this, the spending unit must maintain accurate inventory records in wvOASIS.
2. The Purchasing Division recommends that the spending unit's procurement officer participate in training on this topic offered by the Purchasing Division and ensure that all procurement staff understand how to comply with this requirement moving forward.

Issue 10: Cert. of Non-Conflict Not Included

Authority: W. Va. Code §§ 5A-3-31 and 6B-2-5; Procedures Handbook Section 3.7.1.5.2

Explanation: The Purchasing Division requires all evaluators, advisors, and the agency procurement officer, despite the type of transaction, to sign a Certification of Non-Conflict of Interest form prior to contract award to ensure compliance with W. Va. Code § 5A-3-31 and § 6B-2-5 by affirming that they do not have a conflict of interest and did not communicate with the vendor during the solicitation, evaluation, and award period.

Transactions in Violation: (5 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
07/20/17	Used engine	Bills Used Parts	\$5,450.00	PRCC15*8581
08/09/17	Steel	Huntington Steel	\$6,900.00	PRCC15*8463
04/08/18	Transmission repair	Melvin's Transmission	\$2,511.72	PRCC15*4717
04/15/18	Hood	Rydemore	\$2,659.88	PRCC15*8488
06/26/18	Hydrovac	SQ Atlas Group	\$3,750.00	PRCC15*7467

Purchasing Division Recommendation:

1. The Purchasing Division recommends that the spending unit include a properly completed Certification of Non-Conflict of Interest form prior to contract award for all transactions exceeding \$2,500.01 and maintain a copy in the contract file.
2. The Purchasing Division recommends that the spending unit's procurement officer participate in training on this topic offered by the Purchasing Division and ensure that all procurement staff understand how to comply with this requirement moving forward.

Issue 11: Miscellaneous

Authority: Various

Explanation: Over the course of the inspection, various miscellaneous issues are often identified. Those items are included in this section.

Transactions in Violation: (1 Instance)

07/03/17	Unknown	IN Stone Asphalt	\$3,290.86	PRCC15*0005
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Additional Detail: Documents not provided for review at time of inspection and were not subsequently provided.

Purchasing Division Recommendation:

1. The Purchasing Division recommends that the spending unit's procurement officer participate in training on the topics listed herein that are offered by the Purchasing Division and ensure that all procurement staff understand how to comply with this requirement moving forward.

EXHIBIT B: COMPARISON WITH PRIOR INSPECTIONS

A previous inspection of the West Virginia Division of Highway District 4 was conducted in July of 2015. The review consisted of 585 selected transactions from an approximate 13,056 total transactions from July 1, 2013 through June 30, 2014. This review resulted in 136 findings associated with 82 of the selected transactions. This indicated that 14% of the transactions reviewed during the inspection had one or more problems of potential nonconformity with Purchasing Division laws, rules, and/or regulations.

When comparing the statistics from 2015 to the current 2019 inspection, below is a summary of the issues identified during the 2016 inspection, as compared to the findings from the current inspection.

Summary of Problem Transactions		
<i>Findings</i>	2016	2019
Stringing	7	6
Statewide Contract	9	4
Internal Resources	0	0
Failure to Bid at Delegated Level	48	51
Vendor Registration	1	0
Verification Searches	34	31
Affidavit	34	31
wvOasis Award Document/Purchase Order	1	5
Asset Tag/Number	0	0
Certification of Non-Conflict of Interest	1	5
Miscellaneous Issue	1	1
Total	136	134

There are multiple training resources available from the Purchasing Division in-house training program, as well as, through on-line training modules. These training resources would assist in educating procurement staff in purchasing procedures/requirements. Additional information can be obtained by contacting Samantha Knapp, Staff Development Specialist, at (304) 558-7022 or by visiting the Purchasing Division's website <http://www.state.wv.us/admin/purchase/training/default.html>.

EXHIBIT C: AGENCY TRAINING REPORT

Importance of Training: The Purchasing Division has found that training in procurement significantly improves the ability of the spending unit to comply with applicable provisions of the West Virginia Code, the Code of State Rules and the Purchasing Division Procedures Handbook.

Statutory Requirements:

- W. Va. Code § 5A-3-60 requires that All executive department secretaries, commissioners, deputy commissioners, assistant commissioners, directors, deputy directors, assistant directors, department heads, deputy department heads and assistant department heads are hereby required to take two hours of training on purchasing procedures and purchasing cards annually.
- W. Va. CSR § 148-1-3.2 mandates that all designated procurement officers receive 10 hours of procurement training annually.

Available Training: The Purchasing Division has implemented a very robust training program that is available to all procurement officers subject to Purchasing Division oversight. That training includes:

- Online Modules
- Webinars
- Live Training Sessions
- Annual conferences
- Basic and Advanced Procurement Certification Programs
- Agency Specific Targeted Training

Training: The Purchasing Division records indicate that during the inspection period the following individuals within the spending unit have obtained training as shown below:

Individual Name:

Angie Moorman

Attended 4 workshops (11 available)

Dusty Smith

Attended 11 workshops (11 available)

Purchasing Division Recommendations:

The Purchasing Division recommends that all procurement officers, regardless of their status as designated or undelegated, participate in at least 10 hours of training annually and that all officials subject to the training requirements in W. Va. Code § 5A-3-60 take the required 2 hours of Purchasing and P-Card Training.

EXHIBIT D: AGENCY RESPONSE TO INSPECTION FINDINGS



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

Division of Highways

Office of the District Engineer/Manager
District Four

P. O. Box 4220 · Clarksburg, West Virginia 26302 · (304) 842-1500

Byrd E. White, III
Secretary of Transportation

Jimmy Wriston, P.E.
Deputy Secretary/
Commissioner of Highways

July 11, 2019

To: Greg Clay, State Purchasing Contracts Manager
Purchasing Division

From: J. Darby Clayton, Acting District Manager/Engineer
Highways – District 4

Bryan Henry, Comptroller
Highways – District 4

Subject: Response to FY2018 Purchasing Review

We have reviewed all findings outlined by the Purchasing Division in their audit of District Four procurement transactions that took place between July 1, 2017 and June 30, 2018. Each of the issues described in the review have been assessed, and we will be addressing them with our cardholders this week to emphasize the changes that need made. We value the importance of purchasing policies and procedures and make every effort to eliminate circumvention of the rules. District Four is prepared to submit the following as responses to the six (6) findings that could be interpreted as stringing under issue 1:

Issue 1

MPE Rentals (Core Drill)

District Four spent a total of \$26,035.18 with this vendor over the period covered by this inspection. MPE Rentals is a local vendor who can rent certain pieces of small equipment not covered under the equipment lease contract that District Four uses for building and ground maintenance. We believe there was no intentional stringing in any of these transactions, but the amount spent obligates us to obtain competitive bids for this type of commodity for the future. The District could not predict many of the events that required renting equipment of this nature, so it was not anticipated needing a contract at the time. In the future, we intend on performing a better job of properly educating the

cardholders and devising a method to monitor ongoing purchases to avoid crossing over delegated purchasing limits without applicable bids and proper documentation.

Quality Machine Co. (Cutting Edge)

District Four spent a total of \$62,339.36 with this vendor in the period covered by this inspection. Quality Machine is a local vendor who can supply raw steel materials and intricate fabrication services to provide customized parts that cannot be purchased commercially. Using this vendor eliminates a substantial amount of down time and costs that would be incurred if we pursued these services in-house. Going forward, our goal is to eliminate most of the random purchases of raw steel materials from this vendor, and only obtain those materials by establishing central contracts that have gone through the formal bidding process. This will reduce the amount spent with this vendor, allow us to continue purchasing the fabricated parts, and keep the aggregate total within the delegated threshold.

Newlons International (Parts)

District Four spent a total of \$71,270.15 with this vendor in the period covered by this inspection. Newlons supplies parts for the International make of trucks in our fleet. This local vendor was being used by all our counties as well as our District Equipment Shop. Some of these transactions will be eliminated in the future by stricter adherence to the NAPA contract. Equipment repairs are unpredictable, so it would be difficult to forecast many of the OEM parts we would need in a rolling 12-month period. The ability to run wvOasis reports showing aggregate vendor totals would also help to reduce the amount spent by discovering these issues before they surpass our delegated spending limits. There was no intentional stringing any of the purchases under this finding. Continuous training, experience, and diligent oversight is the key.

SQ Loves Painting (Auto body repair)

District Four spent a total of \$25,442.25 with this vendor in the period covered by this inspection. Loves is a local vendor who performs auto body related services. This vendor is normally the lowest bidder with the quickest turn around time for these services in this area. For now, the District will work on developing an Agreement for auto body repair that will allow us up to \$25,000 in services over a 12-month period. Once we can access wvOasis reports to calculate total amounts spent, we will review the aggregate totals occasionally to ensure we are staying within our delegated spending limits with all vendors.

State Electric Supply (Time Switch)

District Four spent a total of \$39,886.53 with this vendor over the 12-month period in review. This local vendor supplies electrical components used in the construction and repairs of District 4 facilities. During this period, District 4 began construction on a new wash bay structure that required the purchase of many electrical components. In the past, most of these components could be purchased under the INDEQP Statewide contract with Grainger. The current INEDQP contract is with Fastenal, but they are not able to supply the electrical components we need. The District will examine the future needs for electrical components and try to determine what could be included into a District contract. A contract would allow us to purchase these materials without fear of violation.

Truck Pro (Parts)

District Four spent a total of \$30,456.19 with this vendor over the period reviewed. Truck Pro is a local vendor specializing in air brakes and other heavy-duty truck parts. They are almost always our lowest bidder when buying transmissions or brake parts, and very conveniently located. Going forward, more effort will go into finding other vendors where we can obtain bids on these items. Once we have the ability to run reports showing cumulative totals, we will be aware when spending limit gets close and be able to make other arrangements.