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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

August 23, 2019

J. Lee Thorne, District Engineer
Division of Highways, District 5
PO Box 99, Route 50
Burlington, West Virginia 26710

Dear Mr. Thorne:

This is to transmit the final copy of the Purchasing Review of the West Virginia Division of Highways, District 5.

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 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 blue ink, appearing to read "W. Michael Sheets".

W. Michael Sheets, CPPO
Director
West Virginia Purchasing Division

Enclosure

cc: Laranda Baldwin, Comptroller, Division of Highways, District 5
Dwain Shingleton, Director, DOT Finance Division
Byrd E. White, Cabinet Secretary, Department of Transportation

WV PURCHASING DIVISION INSPECTION REPORT

DEPARTMENT OF TRANSPORTATION

West Virginia Department of Highways District 5

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 5 for the period of July 1, 2017 through June 30, 2018. Notice of the inspection was provided on April 9, 2019 and the inspection commenced on April 29, 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 Equipment Divisions 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 10,413 procurement transactions with a value of 53,002,648.40. (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 450 for review which represents approximately 4% of the total. This inspection of 450 selected transactions yielded 57 findings associated with 70 of the selected transactions. This means that approximately 16% 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 25 occasions, the spending unit failed to obtain competitive bids as required by the applicable dollar level of spend. That number is comprised of 3 instances of failing to bid at the central level (also known as stringing), and 22 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 78.3 C 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 5 FY2018 Statistics

Transactions Reviewed	450
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Non-Conformance Rate (See Summary Page)	16.0%
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Conformance Rate	84.0%
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Findings Summary

Finding Category	Number of Findings	Finding Percentage	Points possible	Points Received
Stringing	3	0.67%	30	12
Statewide Contract	3	0.67%	15	12
Internal Resources	0	0.00%	15	15
Failure to Bid	22	4.89%	15	12
Vendor Registration	0	0.00%	5	5
Verification Searches	9	2.00%	5	4
Affidavit	11	2.44%	5	4
wvOasis Award Document	4	0.89%	3	2.4
Asset Tag/Number	0	0.00%	3	3
Certification of Non-Conflict of Interest	4	0.89%	3	2.4
Miscellaneous Issue	1	0.22%	1	0.8
Total	57		100	72.6

Overall Agency Score

Non-Conformance & Findings Average	Overall Letter Grade
78.3%	C

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: (3 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
08/02/17	Parts	Truck ENT	\$322.68	PRCC15*8443

Additional Detail: The agency spent \$34,522.87 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>
06/14/18	Truck Parts	Western MD INTL	\$252.98	PRCC15*9688

Additional Detail: The agency spent \$44,567.51 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>
05/25/18	Snowplow kit	Winter Equipment	\$3,546.68	PRCC15*1947

Additional Detail: The agency spent \$25,265.38 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: (3 Instances) The 3 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 16 and will reflect this in the **Non-Conformance Rate** of the Grading Sheet.

1 Instance

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>	<u>SW Contract</u>
06/14/18	Bolts	Valley Welding	\$338.99	PRCC15*3470	<u>FASTEN</u>

1 Instance (grouped)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>	<u>SW Contract</u>
04/23/18	Auto parts	Advance Auto	\$131.11	PRCC15*5817	<u>MVAPRTS</u>
01/16/18	Auto parts	Carquest Auto	\$136.48	PRCC15*1257	<u>MVAPRTS</u>
02/05/18	Auto parts	Douglas Auto	\$238.75	PRCC15*8564	<u>MVAPRTS</u>
05/13/18	Auto parts	Kent Parsons Ford	\$97.50	PRCC15*9975	<u>MVAPRTS</u>
07/17/17	Auto parts	Thomassen Ford	\$228.00	PRCC15*0837	<u>MVAPRTS</u>

1 Instance (grouped)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>	<u>SW Contract</u>
06/14/18	Mower	Augusta Lawn	\$11,600.00	PRCC15*3530	<u>INDEQP</u>
12/18/17	Pliers	Cornwell Tools	\$51.95	PRCC15*3427	<u>INDEQP</u>
06/17/18	Chainsaw	Hardman Supply	\$2,423.66	PRCC15*3436	<u>INDEQP</u>
10/10/17	Roller stand	Harbor Freight	\$74.95	PRCC15*9123	<u>INDEQP</u>
08/12/18	Chain	Hometown Solution	\$2,001.00	PRCC15*9201	<u>INDEQP</u>
09/30/17	Safety vest	Industrial Safety	\$134.00	PRCC15*8452	<u>INDEQP</u>
06/14/18	Trimmers	Jefferson Rentals	\$419.07	PRCC15*3467	<u>INDEQP</u>
06/14/18	Chainsaws	Tri County Rental	\$2,373.87	PRCC15*9162	<u>INDEQP</u>
01/24/18	Chaps	WV Outdoor	\$219.98	PRCC15*1851	<u>INDEQP</u>
01/05/18	Steam cleaner	Whitco Cleaning	\$2,475.00	PRCC15*1229	<u>INDEQP</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: (22 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
05/28/18	Toilet rental	A & S Enterprises	\$200.00	PRCC15*9602
06/13/18	Wood	Ace Central Tie	\$1,450.30	PRCC15*3497
06/13/18	Parts	Alban Tractor	\$430.96	PRCC15*3506
06/14/18	Repair	Biders Electric	\$297.70	PRCC15*4062
03/01/16	Parts	Freightliner	\$237.14	PRCC15*4773
01/03/18	Tank pick up	Gerald Taylor CO	\$966.00	PRCC15*8203
02/27/18	Parts	GVM/Independent	\$1,415.30	PRCC15*6895
06/14/18	Pest control	Home Team Pest	\$108.60	PRCC15*5643
06/14/18	Parts	John M Ellsworth	\$1,556.33	PRCC15*1095
06/13/18	Parts	Lawson Products	\$494.25	PRCC15*5855

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>
06/14/18	Starter	ASR	\$168.95	PRCC15*3399
06/08/18	Parts	DK Enterprises	\$1,690.02	PRCC15*5833
06/03/18	Filter bags	George L Wilson	\$615.24	PRCC15*9724
01/10/18	Parts	In Morgantown Supply	\$2,056.73	PRCC15*0393
06/14/18	Landscape blocks	In Mountain State Con.	\$1,300.00	PRCC15*1747
06/06/18	Hydraulics	L & L Hydraulics	\$504.00	PRCC15*6737
05/25/18	Plow repair	Mineral Fabrication	\$1,200.00	PRCC15*7873
08/02/17	Barricade	Pexco	\$1,974.00	PRCC15*1601
04/17/18	Lubrasedal	Rhomar Industries	\$2,472.25	PRCC15*1566
06/01/18	Auto glass	Safelite Autoglass	\$338.99	PRCC15*3653
02/28/18	Sprinkler system check	Simplex Grinnell	\$2,319.74	PRCC15*2687
06/14/18	Electrical supply	V & M Electrical	\$485.20	PRCC15*3445

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: (9 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/14/18	Starter	ASR	\$168.95	PRCC15*3399
06/08/18	Parts	DK Enterprises	\$1,690.02	PRCC15*5833
06/03/18	Filter bags	George L Wilson	\$615.24	PRCC15*9724
06/14/18	Garage doors	Hagerstown Paint & Glass	\$9,198.00	PRCC15*3531
01/10/18	Parts	In Morgantown Supply	\$2,056.73	PRCC15*0393
06/06/18	Hydraulics	L & L Hydraulics	\$504.00	PRCC15*6737
05/25/18	Plow repair	Mineral Fabrication	\$1,200.00	PRCC15*7873
08/02/17	Barricade	Pexco	\$1,974.00	PRCC15*1601
06/14/18	Electrical supply	V & M Electrical	\$485.20	PRCC15*3445

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: (11 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/13/18	Wood	Ace Central Tie	\$1,450.30	PRCC15*3497
06/14/18	Starter	ASR	\$168.95	PRCC15*3399
06/08/18	Parts	DK Enterprises	\$1,690.02	PRCC15*5833
06/03/18	Filter bags	George L Wilson	\$615.24	PRCC15*9724
06/14/18	Garage doors	Hagerstown Paint & Glass	\$9,198.00	PRCC15*3531
01/10/18	Parts	In Morgantown Supply	\$2,056.73	PRCC15*0393
06/14/18	Landscape blocks	In Mountain State Con.	\$1,300.00	PRCC15*1747
06/06/18	Hydraulics	L & L Hydraulics	\$504.00	PRCC15*6737
05/25/18	Plow repair	Mineral Fabrication	\$1,200.00	PRCC15*7873
08/02/17	Barricade	Pexco	\$1,974.00	PRCC15*1601
06/14/18	Electrical supply	V & M Electrical	\$485.20	PRCC15*3445

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

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: (4 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/13/18	Building addition	Builders Center	\$3,305.60	PRCC15*9183
06/13/18	Building addition	CN Metals	\$3,240.95	PRCC15*9182
06/14/18	Garage doors	Hagerstown Paint & Glass	\$9,198.00	PRCC15*3531
04/20/18	Trailer	Romney Cycles	\$4,500.00	PRCC15*0897

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: (4 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/13/18	Building add on	Builders Center	\$3,305.60	PRCC15*9183
06/13/18	Building addition	CN Metals	\$3,240.95	PRCC15*9182
06/14/18	Garage doors	Hagerstown Paint & Glass	\$9,198.00	PRCC15*3531
04/20/18	Trailer	Romney Cycles	\$4,500.00	PRCC15*0897

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)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
07/19/17	Unknown	Maryland Metals	\$397.12	PRCC15*4919

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 5 was conducted in October of 2015. The review consisted of 478 selected transactions from an approximate 10,327 total transactions from July 1, 2013 through June 30, 2014. This review resulted in 86 findings associated with 62 of the selected transactions. This indicated that 13% 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 2015 inspection, as compared to the findings from the current inspection.

Summary of Problem Transactions		
<i>Findings</i>	2014	2018
Stringing	5	3
Statewide Contract	6	3
Internal Resources	0	0
Failure to Bid at Delegated Level	36	22
Vendor Registration	1	0
Verification Searches	19	9
Affidavit	19	11
wvOasis Award Document/Purchase Order	0	4
Asset Tag/Number	0	0
Certification of Non-Conflict of Interest	0	4
Miscellaneous Issue	0	1
<i>Total</i>	86	57

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:

Laranda Baldwin

Attended 11 workshops (11 available)

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 undesignated, 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

At the time of this review, this District did not have a tool to monitor totals spent with a particular vendor. Upon receiving this review, District Five requested and received access to OASIS Financials BI Reports. We now have a tool to monitor totals spent by vendor. District Five in no way intentionally purchased over \$25,000.00 with this vendor. Going forward, District Five will be monitoring total spent with vendors. Additionally, District Five is writing a contract for large equipment OEM equipment parts and aftermarket parts.

#2 – Dated 6/14/18 – Truck Parts – Western MD INTL - \$44,567.51 spent with vendor during fiscal year under review.

Western Maryland International Truck, Inc. is a local vendor who sells International brand truck parts. They have several stores, one (1) of which is within 20 minutes driving distance of our District. As a service agency, the public relies on the DOH to provide timely service to the roads throughout the district. Much of this service is dependent upon the maintenance and repair of equipment. Many of the purchases made with this particular vendor were due to the contracted vendor not meeting the timeframe for the delivery of ordered parts. Due to our Agency not having contracts for the large variety of various heavy equipment truck parts, we must purchase parts as they are needed. At the time of this review this District did not have a tool to monitor total spent with each vendor. Upon receiving this review District Five requested and received access to OASIS Financials BI Reports. We now have a tool to monitor totals spent with vendors. District Five in no way intentionally purchased over \$25,000.00 with this vendor. Going forward District Five will be monitoring totals spent with vendors. Additionally, our Agency now has a contract in place for international parts 70-16-C006/CMA DOT16*50.

#3 – Dated 5/25/18 – Snowplow kit – Winter Equipment - \$25,265.38 spent with vendor during fiscal year under review.

Winter Equipment is a vendor who formally had a contract for Joma blades, plow guards and snowplow wear systems. Plow systems are not interchangeable with other manufactured parts. Once a certain brand is installed, then only parts from that brand will fit. It has been historically the Equipment Division's responsibility to write equipment parts contracts. When this contract expired District Five continued to wait for another plow contract to be awarded. In the meantime, we had equipment which had the "Winter Equipment" brand plow system installed and were bound to continue purchasing from this company until our Agency was able to obtain a new contract. Attached is a copy of "Sole Source" proving this vendor was the only available source for these items at that time. District Five in no way intentionally purchased over \$25,000.00 with this vendor. We are bound by state law to keep all roads safe and parts were needed for our plow systems to meet our Agency's obligations. As mentioned earlier District Five now has the tools to monitor our spending limit by vendor. Additionally, our Agency has written a new contract for these Joma blades and they are on Contract #70-18-C011/CMA DOT18*39.