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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 30, 2019

Brian Cooper, District Engineer  
Division of Highways, District 7  
131 Highland Drive  
Weston, West Virginia 26452

Dear Mr. Cooper:

This is to transmit the final copy of the Purchasing Review of the West Virginia Division of Highways, District 7.

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: Melissa Jordan, Comptroller, Division of Highways, District 7  
Dwain Shingleton, Director, DOT Finance Division  
Byrd E. White, Cabinet Secretary, Department of Transportation

# WV PURCHASING DIVISION INSPECTION REPORT

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*DEPARTMENT OF TRANSPORTATION*

*West Virginia Department of Highways District 7*

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 7 for the period of July 1, 2017 through June 30, 2018. Notice of the inspection was provided on January 14, 2019 and the inspection commenced on February 4, 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 7'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 14,500 procurement transactions with a value of 55,236,114.64. (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 596 for review which represents approximately 4% of the total. This inspection of 596 selected transactions yielded 129 findings associated with 74 of the selected transactions. This means that approximately 12% 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 51 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 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 81.4 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 7 FY2018 Statistics

Transactions Reviewed	596
Non-Conformance Rate (See Summary Page)	12.0%
Conformance Rate	88.0%

Findings Summary				
Finding Category	Number of Findings	Finding Percentage	Points possible	Points Received
Stringing	3	0.50%	30	18
Statewide Contract	5	0.84%	15	12
Internal Resources	0	0.00%	15	15
Failure to Bid	48	8.05%	15	9
Vendor Registration	1	0.17%	5	4
Verification Searches	31	5.20%	5	4
Affidavit	31	5.20%	5	4
wvOasis Award Document	5	0.84%	3	2.4
Asset Tag/Number	0	0.00%	3	3
Certification of Non-Conflict of Interest	5	0.84%	3	2.4
Miscellaneous Issue	0	0.00%	1	1
<b>Total</b>	<b>129</b>		<b>100</b>	<b>74.8</b>

Overall Agency Score	
Non-Conformance & Findings Average	Overall Letter Grade
<b>81.4%</b>	<b>C</b>

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.

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## EXHIBIT A: DETAILED INSPECTION FINDINGS

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### 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>
06/13/18	Plates	Quality Machine	\$1,352.76	PRCC15*8959

**Additional Detail:** Although the individual transaction listed above falls below bid limits, the agency spent \$34,536.55 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>
06/17/18	Truck parts	Cole Truck Parts	\$600.61	PRCC15*5664

**Additional Detail:** Although the individual transaction listed above falls below bid limits, the agency spent \$33,315.16 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>
06/15/18	Parts	Newlons International	\$571.42	PRCC15*7611

**Additional Detail:** Although the individual transaction listed above falls below bid limits, the agency spent \$26,227.33 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: (5 Instances)** The 5 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 Internal Resources totals 22 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>
05/14/18	Light bulbs	Precision Lighting	\$499.64	PRCC15*9316	<u>LIGHT</u>

#### **1 Instance (grouped)**

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>	<u>SW Contract</u>
06/18/18	Trimmer	Cogar Saw Sales	\$949.90	PRCC15*7642	<u>INDEQP</u>
04/30/18	Hammer bits	Crowder Supply	\$155.66	PRCC15*8535	<u>INDEQP</u>
04/19/18	Gloves	Discount Ind.	\$2,442.00	PRCC15*1083	<u>INDEQP</u>
04/20/18	Masonry bits	George L Wilson	\$237.10	PRCC15*3131	<u>INDEQP</u>
06/05/18	Pump	Hotsy Equipment	\$638.58	PRCC15*6555	<u>INDEQP</u>
04/12/18	Grinding wheel	Northern Tool	\$257.93	PRCC15*8615	<u>INDEQP</u>
10/26/17	Saw	SSC Philippi	\$757.80	PRCC15*1682	<u>INDEQP</u>
09/26/17	Tools	Walmart	\$207.13	PRCC15*4874	<u>INDEQP</u>
09/08/17	Trigger	Whitco Cleaning	\$333.99	PRCC15*3927	<u>INDEQP</u>
03/13/18	Saw chains	Flatwoods Lawn	\$376.64	PRCC15*2370	<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>
02/20/18	Tires	Wholesale Tire	\$573.32	PRCC15*5820	<u>NTIRE</u>
07/04/17	Tires	Buchanan Disc Tire	\$136.00	PRCC15*6005	<u>NTIRE</u>
10/26/17	Tires	Corridor H Tire	\$356.00	PRCC15*1674	<u>NTIRE</u>

**1 Instance (grouped)**

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>	<u>SW Contract</u>
01/19/18	Auto Parts	Astorg Ford	\$168.81	PRCC15*5645	<u>MVAPRTS</u>
01/19/18	Auto Parts	Chenoweth Ford	\$63.23	PRCC15*5647	<u>MVAPRTS</u>
08/17/17	Auto parts	Jenkins Ford	\$46.42	PRCC15*5720	<u>MVAPRTS</u>
02/09/18	Auto parts	Northside Chrysler	\$61.36	PRCC15*3558	<u>MVAPRTS</u>
11/14/17	Auto parts	Performance Motor	\$54.60	PRCC15*8525	<u>MVAPRTS</u>
10/13/17	Auto Parts	Elkins Chrysler	\$675.10	PRCC15*7635	<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>
05/01/18	Bolts	Applied Ind Tech	\$833.00	PRCC15*8534	<u>FASTEN</u>
06/08/18	Nuts/bolts	SOS Metal	\$375.59	PRCC15*5638	<u>FASTEN</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>
05/21/18	Parts	Blue Ridge Diesel	\$2,115.03	PRCC15*2184
08/14/17	Bit	Asphalt Zipper	\$1,337.33	PRCC15*1013
04/02/18	Parts	B & H Tubes	\$709.00	PRCC15*8308
01/30/18	Pipe	Cumberland Pipe	\$2,171.70	PRCC15*4323
06/06/18	Used oil Pickup	H&H Oil	\$508.05	PRCC15*1238
04/29/18	Auto glass	IN Joes Auto Glass	\$415.00	PRCC15*8818
12/05/17	Light Poles	Light Poles Plus	\$1,673.00	PRCC15*6140
06/07/18	Towing	M & J Garage	\$750.00	PRCC15*1988
06/08/18	Parts	Matz Equipment	\$283.95	PRCC15*6547
05/22/18	Parts	McJunkin Red Man	\$255.78	PRCC15*4992
06/15/18	Hydraulic hoses	Mine Belt Services	\$497.32	PRCC15*5451
03/15/18	Tractor tire	S & S Tire	\$2,230.00	PRCC15*1813
06/08/18	Parts	Syn-Tech Systems	\$264.98	PRCC15*5637
04/30/18	Portable Toilet	Wares Portable Toilet	\$1,750.00	GAX15*8758
12/01/17	Cleaner	Whitco Cleaning	\$1,950.00	PRCC15*2724

**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>
06/13/18	Parts	Applied Ind. Tech	\$318.75	PRCC15*5653
06/05/18	Parts	Best Line Equipment	\$1,219.04	PRCC15*6511
01/02/18	Truck parts	Bolger Brothers	\$833.16	PRCC15*5562
01/09/18	Break cleaner	Bykota	\$113.78	PRCC15*8377
06/24/18	Door repair	Capital Doors	\$2,130.00	PRCC15*0248
06/18/18	Parts	Cleveland Bros Parts	\$1,155.91	PRCC15*5464
04/27/18	Pest control	Ehrlich	\$651.00	PRCC15*3653
06/17/18	Propane	Ferrell Gas	\$997.52	PRCC15*4119
06/29/18	Tree Service	Fidlers Tree Service	\$800.00	PRCC15*9186
06/04/18	Parts	Fleetpride	\$343.64	PRCC15*3497
06/25/18	Hydraulic Hose	Garrett Industrial	\$32.18	PRCC15*5774
09/06/17	Parts	GVM/ Independent	\$2,482.20	PRCC15*9776
06/21/18	Ice	Home City Ice	\$105.53	PRCC15*5786
03/23/18	Fire extinguisher recharge	IN J.T. Martin Fire	\$60.76	PRCC15*6064
05/23/18	Parts	IN Morgantown Supp.	\$123.60	PRCC15*9423
06/08/18	Storage container	John Watson Trucking	\$2,800.00	PRCC15*7647
05/07/18	Radiator repair	Johnnys Radiator	\$748.60	PRCC15*3936
06/21/18	Toilet rental	JW McCartys Services	\$290.30	PRCC15*0242
05/29/18	Parts cleaning service	Kleenline Parts	\$405.00	PRCC15*4139
05/08/18	Parts	Lifetite Metal	\$1,555.58	PRCC15*3954
06/25/18	Hydraulic Hoses	Lowther Hose	\$181.96	PRCC15*4017
05/04/18	Brush	Old Dominion Brush	\$1,653.10	PRCC15*6028
06/15/18	Auto body repair	R & T Body Shop	\$2,553.40	PRCC15*3339
04/26/18	Vehicle repair	Ricks Restoration	\$1,327.00	PRCC15*3631
06/22/18	Parts	Rudd Equipment	\$200.74	PRCC15*5780
07/11/17	Sewer equipment	Sewer Equipment Co	\$425.22	PRCC15*9174
05/14/18	Auto glass	South End Glass	\$485.00	PRCC15*4815
07/14/17	Maintenance	SQ Dennie Craddock	\$9,988.44	PRCC15*9641
06/15/18	Plow Cylinder	Standard Hydraulics	\$347.89	PRCC15*3345
04/11/18	Propane	U Save Propane	\$2,980.16	PRCC15*6444
06/11/18	Rebar	Wilson Steele Works	\$1,624.00	PRCC15*9004
04/04/18	Plow blades	Winter Equipment	\$1,947.78	PRCC15*4830
02/26/18	Salt soap	Zep Sales	\$2,481.98	PRCC15*0240

**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: (1 Instance)**

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
04/30/18	Portable Toilet	Wares Portable Toilet	\$1,750.00	GAX15*8758

**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>
06/05/18	Parts	Best Line Equipment	\$1,219.04	PRCC15*6511
01/02/18	Truck parts	Bolger Brothers	\$833.16	PRCC15*5562
06/13/18	Parts	Applied Ind. Tech	\$318.75	PRCC15*5653
01/09/18	Break cleaner	Bykota	\$113.78	PRCC15*8377
06/24/18	Door repair	Capital Doors	\$2,130.00	PRCC15*0248
06/18/18	Parts	Cleveland Bros Parts	\$1,155.91	PRCC15*5464
04/27/18	Pest control	Ehrlich	\$651.00	PRCC15*3653
06/17/18	Propane	Ferrell Gas	\$997.52	PRCC15*4119
06/29/18	Tree Service	Fidlers Tree Service	\$800.00	PRCC15*9186
06/04/18	Parts	Fleetpride	\$343.64	PRCC15*3497
06/25/18	Hydraulic Hose	Garrett Industrial Supply	\$32.18	PRCC15*5774
06/21/18	Ice	Home City Ice	\$105.53	PRCC15*5786
03/23/18	Fire extinguisher recharge	IN J.T. Martin Fire	\$60.76	PRCC15*6064
05/23/18	Parts	IN Morgantown Supply	\$123.60	PRCC15*9423
09/06/17	Parts	GVM/ Independent AG	\$2,482.20	PRCC15*9776
05/07/18	Radiator repair	Johnnys Radiator Repair	\$748.60	PRCC15*3936
06/21/18	Toilet rental	JW McCartys Services	\$290.30	PRCC15*0242
05/29/18	Parts cleaning service	Kleenline Parts	\$405.00	PRCC15*4139
05/08/18	Parts	Lifetite Metal	\$1,555.58	PRCC15*3954
06/25/18	Hydraulic Hoses	Lowther Hose and Supply	\$181.96	PRCC15*4017
05/04/18	Brush	Old Dominion Brush Co	\$1,653.10	PRCC15*6028
06/15/18	Auto body repair	R & T Body Shop	\$2,553.40	PRCC15*3339
04/26/18	Vehicle repair	Ricks Restoration	\$1,327.00	PRCC15*3631
06/22/18	Parts	Rudd Equipment	\$200.74	PRCC15*5780
07/11/17	Sewer equipment	Sewer Equipment Co	\$425.22	PRCC15*9174
05/14/18	Auto glass	South End Glass	\$485.00	PRCC15*4815
07/14/17	Maintenance	SQ Dennie Craddock	\$9,988.44	PRCC15*9641
04/11/18	Propane	U Save Propane	\$2,980.16	PRCC15*6444

06/11/18	Rebar	Wilson Steele Works	\$1,624.00	PRCC15*9004
04/04/18	Plow blades	Winter Equipment	\$1,947.78	PRCC15*4830
02/26/18	Salt soap	Zep Sales	\$2,481.98	PRCC15*0240

**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>
06/05/18	Parts	Best Line Equipment	\$1,219.04	PRCC15*6511
01/02/18	Truck parts	Bolger Brothers	\$833.16	PRCC15*5562
06/13/18	Parts	Applied Ind. Tech	\$318.75	PRCC15*5653
01/09/18	Break cleaner	Bykota	\$113.78	PRCC15*8377
06/24/18	Door repair	Capital Doors	\$2,130.00	PRCC15*0248
06/18/18	Parts	Cleveland Bros Parts	\$1,155.91	PRCC15*5464
04/27/18	Pest control	Ehrlich	\$651.00	PRCC15*3653
06/17/18	Propane	Ferrell Gas	\$997.52	PRCC15*4119
06/29/18	Tree Service	Fidlers Tree Service	\$800.00	PRCC15*9186
06/04/18	Parts	Fleetpride	\$343.64	PRCC15*3497
06/25/18	Hydraulic Hose	Garrett Industrial Supply	\$32.18	PRCC15*5774
06/21/18	Ice	Home City Ice	\$105.53	PRCC15*5786
03/23/18	Fire extinguisher recharge	IN J.T. Martin Fire	\$60.76	PRCC15*6064
05/23/18	Parts	IN Morgantown Supply	\$123.60	PRCC15*9423
09/06/17	Parts	GVM/ Independent AG	\$2,482.20	PRCC15*9776
05/07/18	Radiator repair	Johnnys Radiator Repair	\$748.60	PRCC15*3936
06/21/18	Toilet rental	JW McCartys Services	\$290.30	PRCC15*0242
05/29/18	Parts cleaning service	Kleenline Parts	\$405.00	PRCC15*4139
05/08/18	Parts	Lifetite Metal	\$1,555.58	PRCC15*3954
06/25/18	Hydraulic Hoses	Lowther Hose and Supply	\$181.96	PRCC15*4017
05/04/18	Brush	Old Dominion Brush Co	\$1,653.10	PRCC15*6028
06/15/18	Auto body repair	R & T Body Shop	\$2,553.40	PRCC15*3339
04/26/18	Vehicle repair	Ricks Restoration	\$1,327.00	PRCC15*3631
06/22/18	Parts	Rudd Equipment	\$200.74	PRCC15*5780
07/11/17	Sewer equipment	Sewer Equipment Co	\$425.22	PRCC15*9174
05/14/18	Auto glass	South End Glass	\$485.00	PRCC15*4815
04/11/18	Propane	U Save Propane	\$2,980.16	PRCC15*6444
06/11/18	Rebar	Wilson Steele Works	\$1,624.00	PRCC15*9004
04/04/18	Plow blades	Winter Equipment	\$1,947.78	PRCC15*4830
02/26/18	Salt soap	Zep Sales	\$2,481.98	PRCC15*0240

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

07/14/17            Maintenance                            SQ Dennie Craddock            \$9,988.44    PRCC15\*9641

**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>
06/08/18	Storage container	John Watson Trucking	\$2,800.00	PRCC15*7647
04/30/18	Medical Services	Occupational Medicine	\$6,540.00	PRCC15*3659
06/15/18	Auto body repair	R & T Body Shop	\$2,553.40	PRCC15*3339
07/14/17	Maintenance	SQ Dennie Craddock	\$9,988.44	PRCC15*9641
04/11/18	Propane	U Save Propane	\$2,980.16	PRCC15*6444

**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>
06/08/18	Storage container	John Watson Trucking	\$2,800.00	PRCC15*7647
04/30/18	Medical Services	Occupational Medicine	\$6,540.00	PRCC15*3659
06/15/18	Auto body repair	R & T Body Shop	\$2,553.40	PRCC15*3339
07/14/17	Maintenance	SQ Dennie Craddock	\$9,988.44	PRCC15*9641
04/11/18	Propane	U Save Propane	\$2,980.16	PRCC15*6444

**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: (0 Instances)**

### **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.



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## EXHIBIT B: COMPARISON WITH PRIOR INSPECTIONS

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A previous inspection of the West Virginia Division of Highway District 7 was conducted in January of 2016. The review consisted of 614 selected transactions from an approximate 13,185 total transactions from July 1, 2013 through June 30, 2014. This review resulted in 125 findings associated with 66 of the selected transactions. This indicated that 11% 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 2016 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.

<b>Summary of Problem Transactions</b>		
<b><i>Findings</i></b>	<b>2016</b>	<b>2019</b>
Stringing	6	3
Statewide Contract	4	5
Internal Resources	0	0
Failure to Bid at Delegated Level	46	48
Vendor Registration	3	1
Verification Searches	33	31
Affidavit	33	31
wvOasis Award Document/Purchase Order	0	5
Asset Tag/Number	0	0
Certification of Non-Conflict of Interest	0	5
Miscellaneous Issue	0	0
<b><i>Total</i></b>	<b>125</b>	<b>129</b>

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>.

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## EXHIBIT C: AGENCY TRAINING REPORT

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**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 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.

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**EXHIBIT D: AGENCY COMMENTS AND PURCHASING RESPONSE TO  
INSPECTION FINDINGS**

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WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

**Division of Highways**

Office of the District Engineer/Manager  
District Seven

Post Office Box 1228 · Weston, West Virginia 26452 · (304) 269-0400

**Byrd E. White, III**  
Secretary of Transportation

**Jimmy Wriston, P. E.**  
Deputy Secretary/  
Acting Commissioner

**MEMORANDUM**

**TO:** Greg Clay, Contracts Manager  
Purchasing Division

**FROM:** Brian Cooper, District Engineer  
Highways – District 7

Melissa Jordan, Comptroller  
Highways – District 7

**SUBJECT:** Response to FY2018 Purchasing Review

We have reviewed all findings outlined by the Purchasing Division in their audit of District Seven P-Card transactions that took place between July 1, 2017 and June 30, 2018. Through your assistance in learning to utilize the P-Card report available through Business Intelligence I will be able to track yearly spending in a more effective manner. The issues found from the audit will be addressed with our cardholders. District Seven is prepared to submit the following as responses to the three (3) findings that could be interpreted as stringing:

**Quality Machine**

District Seven spent a total of \$34,536.55 with this vendor. This vendor is utilized for custom fabrication of part needed for repair of vehicles. We will look for ways to establish a contract for this type of work.

**Cole Truck Parts**

District Seven spent a total of \$33,315.16 with this vendor. This local vendor supplies parts needed when repairing heavy equipment. The purchased parts are either not on an established contract or when contract vendors cannot provide needed items within an acceptable time frame. Purchasing these items from other vendors much further away would likely incur substantial shipping costs added to the invoice, along with extending costly down time to our equipment. At the time, it was concluded to be in the best interests of our organization to purchase these products from Cole Truck Parts. Although some of these purchases lacked documentation of competitive

bidding, there was certainly no intention of circumventing the bidding process or to trying to string our purchases.

**Newlons International**

District Seven spent a total of \$26,227.33 with this vendor. Steel is purchased in large quantities for the District by formal bid. The purchased parts are either not on an established contract or when contract vendors cannot provide needed items within an acceptable time frame. Purchasing these items from other vendors much further away would likely incur substantial shipping costs added to the invoice, along with extending costly down time to our equipment. At the time, it was concluded to be in the best interests of our organization to purchase these products from Cole Truck Parts. Although some of these purchases lacked documentation of competitive bidding, there was certainly no intention of circumventing the bidding process or to trying to string our purchases.

## PURCHASING DIVISION RESPONSE

On June 12, 2019 the West Virginia Purchasing Division provided the West Virginia Division of Highways District 7 with a draft copy of the Purchasing Division Inspection Report for Fiscal Year 2018. Comments from the agency were received on July 22, 2019. There were 129 findings from 596 selected transactions reviewed by the Inspector. This indicates that approximately 12% of the transactions reviewed had one or more problems of potential nonconformity with Purchasing Division laws, rules and/or regulations.

Issue #	Purchasing Response
<p style="text-align: center;">1</p> <p style="text-align: center;">(3) Instances of Stringing</p>	<p>No agency shall issue a series of requisitions to circumvent the \$25,000 threshold. Violation of the \$25,000 threshold is commonly referred to as “stringing,” and is prohibited by law. Instances of stringing must be reported to the Legislature. <b>Reference West Virginia Code §5A-3-10(b)</b></p> <p><b>Reference Purchasing Handbook 3.7.1.2 Open-End Contracts:</b> The Purchasing Division issues both statewide contracts and agency open-end contracts. The Purchasing Division, at its discretion or upon request of any state agency, may establish a contract for specific commodities and services required. These open-end contracts are convenient for recurrent purchases. For agency open-end contracts, the state agency determines its specific needs and submits a <b>Requisition</b> to the Purchasing Division for competitive bid. Open-end contracts are processed as master agreements in <i>wvOASIS</i>.</p> <p><b>Reference Purchasing Handbook 6.2.17</b> When the Request for Quotation process is used, competitive bids are received, properly evaluated and an award is made to the <b>lowest responsible bidder</b> meeting specifications, in accordance with the <b>West Virginia Code §5A-3-11</b>.</p>