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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

October 11, 2019

Steven Cole, District Engineer
Division of Highways, District 9
146 Stonehouse Rd.
Lewisburg, West Virginia 24901

Dear Mr. Cole:

This is to transmit the final copy of the Purchasing Review of the West Virginia Division of Highways, District 9.

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

W. Michael Sheets, CPPO
Director
West Virginia Purchasing Division

Enclosure

cc: Renee Clendenin, Comptroller, Division of Highways, District 9
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 9

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 9 for the period of July 1, 2017 through June 30, 2018. Notice of the inspection was provided on June 12, 2019 and the inspection commenced on July 8, 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 9 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 12,034 procurement transactions with a value of 51,816,684.70. (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 497 for review which represents approximately 4% of the total. This inspection of 497 selected transactions yielded 135 findings associated with 64 of the selected transactions. This means that approximately 13% 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 43 occasions, the spending unit failed to obtain competitive bids as required by the applicable dollar level of spend. That number is comprised of 1 instance of failing to bid at the central level (also known as stringing), and 42 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 83.8 B 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 9 FY2018 Statistics

Transactions Reviewed	497
Non-Conformance Rate (See Summary Page)	13.0%
Conformance Rate	87.0%

Findings Summary				
Finding Category	Number of Findings	Finding Percentage	Points possible	Points Received
Stringing	1	0.20%	30	24
Statewide Contract	3	0.60%	15	12
Internal Resources	0	0.00%	15	15
Failure to Bid	42	8.45%	15	9
Vendor Registration	3	0.60%	5	4
Verification Searches	29	5.84%	5	4
Affidavit	29	5.84%	5	4
wvOasis Award Document	13	2.62%	3	2.4
Asset Tag/Number	0	0.00%	3	3
Certification of Non-Conflict of Interest	13	2.62%	3	2.4
Miscellaneous Issue	2	0.40%	1	0.8
Total	135		100	80.6

Overall Agency Score	
Non-Conformance & Findings Average	Overall Letter Grade
83.8%	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.

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: (1 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
06/27/18	Asphalt release	Engineering Chemistry	\$3,361.15	PRCC15*0262

Additional Detail: The agency spent \$51,345.83 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 13 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>
05/22/18	Small package	UPS	\$8.08	PRCC15*5044	<u>PKGSVS</u>

1 Instance (grouped)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>	<u>SW Contract</u>
11/14/17	Auto parts	Autozone	\$125.33	PRCC15*3545	<u>MVAPRTS</u>
10/10/17	Auto parts	Colonial Ford	\$61.33	PRCC15*9031	<u>MVAPRTS</u>
01/11/18	Auto parts	Mountaineer Auto.	\$17.06	PRCC15*1159	<u>MVAPRTS</u>
06/01/18	Auto parts	Northside Auto	\$109.46	PRCC15*9543	<u>MVAPRTS</u>
05/23/18	Auto parts	Steves Auto Parts.	\$356.79	PRCC15*7813	<u>MVAPRTS</u>
06/11/18	Auto parts	Steves Auto Parts	\$1,526.64	PRCC15*9055	<u>MVAPRTS</u>
02/22/18	Auto parts	Todd Judy Ford	\$314.98	PRCC15*4340	<u>MVAPRTS</u>
09/15/17	Auto parts	Turnpike Ford	\$212.11	PRCC15*6623	<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>
07/23/17	Grease gun	Adkins Auto Parts	\$183.16	PRCC15*0875	<u>INDEQP</u>
06/01/18	Pressure washer	Harvest Equipment	\$521.95	PRCC15*3556	<u>INDEQP</u>
05/24/18	Weed Eater	MT State Equipment	\$239.96	PRCC15*	<u>INDEQP</u>
09/25/17	Tools	Rons Tools	\$100.65	PRCC15*3226	<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: (42 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
03/05/18	Filters	Allied Electronics	\$1,938.00	PRCC15*7044
06/22/18	Water testing	Analabs	\$179.00	PRCC15*5810
06/15/18	Engine	Boone Tractor	\$276.65	PRCC15*7673
06/01/18	Parts	C & C Parts	\$68.97	PRCC15*1904
06/10/18	Parts	DAR Collision	\$1,354.89	PRCC15*5736
06/26/18	Towing	Glens Towing	\$460.56	PRCC15*0275
05/28/18	Distance meter gps	Jamar Technologies	\$809.35	PRCC15*4157
01/02/18	Parts	Montage Enterprises	\$705.74	PRCC15*8134
04/17/18	Poly wafers	Old Dominion Brush	\$2,214.00	PRCC15*4867
06/26/18	Ice	SQ Roncevert Ice	\$63.70	PRCC15*1999
03/29/18	Auto glass	Summersville Glass	\$586.00	PRCC15*6104
11/13/17	Parts	Western Branch Diesel	\$2,648.47	PRCC15*1000
11/13/17	Parts	Western Branch Diesel	\$38.89	PRCC15*1001
06/12/18	Tractor repair	Wilson Tractor Repair	\$815.00	GAX15*9159
04/23/18	HVAC maintenance	Southern Air	\$1,014.00	PRCC15*8879

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>
05/31/18	Towing	Anthony's Truck Repair	\$100.00	PRCC15*1284
04/11/18	Vehicle glass	B & B Glass	\$275.00	PRCC15*6505
02/27/18	Steel	Beckley Steel	\$253.50	PRCC15*5580
10/02/17	Asphalt Remover	Chemstation	\$2,389.20	PRCC15*6371
03/14/18	Truck parts	Cole Truck Parts	\$68.40	PRCC15*9574
06/15/18	Hydraulic hose	Crest Supply	\$82.54	PRCC15*7687
06/18/18	HVAC service	FSI Mid State	\$496.50	PRCC15*7671

09/27/17	Equipment rental	Hertz Equipment	\$3,595.00	PRCC15*8358
09/28/17	Ice	Home City Ice	\$358.70	PRCC15*3180
09/18/17	Steam jenny soap	Hotsy Equipment	\$523.60	PRCC15*6608
06/13/18	Hydraulic Parts	IN Harry Vance Logging	\$36.29	PRCC15*1002
03/27/18	Parts	J & J Fabrication	\$244.00	PRCC15*6100
06/15/18	Parts	Metro Heavy Duty	\$241.50	PRCC15*7695
06/06/18	HVAC service	Mountain Air	\$225.00	PRCC15*3555
06/05/18	Roller	Northeast Implement	\$3,567.72	PRCC15*6625
06/14/18	Hydraulics	Nova Rubber	\$1,981.20	PRCC15*5537
03/01/18	Lube	Pro Lube	\$16,200.00	PRCC15*9795
04/02/18	Sludge removal	Quala	\$2,545.92	PRCC15*8362
06/07/18	Parts	Raleigh Mine & Indust.	\$819.90	PRCC15*1017
06/26/18	Hydraulics	Roosters Hydraulics	\$98.54	PRCC15*9874
06/11/18	Parts	Rudd Equipment	\$742.06	PRCC15*5794
06/15/18	Auto glass	Safelite Autoglass	\$246.10	PRCC15*7692
06/11/18	Wrecker service	Smiths Towing	\$600.00	PRCC15*9066
11/14/17	Parts	SQ Bubs TNT Parts	\$3,357.28	PRCC15*1792
05/09/18	Landscape service	Tallyho Limited	\$3,675.00	GAX15*7008
10/16/17	Blades	Valk Manufacturing	\$6,943.48	PRCC15*9015
05/01/18	Steel	Virginia Steel	\$566.70	PRCC15*2401

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: (3 Instances)

02/28/18	Training	Water Doctor	\$900.00	GAX15*9238
06/12/18	Tractor repair	Wilson Tractor Repair	\$815.00	GAX15*9159
05/09/18	Landscape service	Tallyho Limited	\$3,675.00	GAX15*7008

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: (29 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
05/31/18	Towing	Anthony's Truck Repair	\$100.00	PRCC15*1284
04/11/18	Vehicle glass	B & B Glass	\$275.00	PRCC15*6505
02/27/18	Steel	Beckley Steel	\$253.50	PRCC15*5580
10/02/17	Asphalt Remover	Chemstation	\$2,389.20	PRCC15*6371
03/14/18	Truck parts	Cole Truck Parts	\$68.40	PRCC15*9574
06/15/18	Hydraulic hose	Crest Supply	\$82.54	PRCC15*7687
06/18/18	HVAC service	FSI Mid State	\$496.50	PRCC15*7671
09/27/17	Equipment rental	Hertz Equipment	\$3,595.00	PRCC15*8358
09/28/17	Ice	Home City Ice	\$358.70	PRCC15*3180
09/18/17	Steam jenny soap	Hotsy Equipment	\$523.60	PRCC15*6608
06/13/18	Hydraulic Parts	IN Harry Vance Logging	\$36.29	PRCC15*1002
03/27/18	Parts	J & J Fabrication	\$244.00	PRCC15*6100
06/15/18	Parts	Metro Heavy Duty	\$241.50	PRCC15*7695
06/06/18	HVAC service	Mountain Air	\$225.00	PRCC15*3555
06/14/18	Hydraulics	Nova Rubber	\$1,981.20	PRCC15*5537
03/01/18	Lube	Pro Lube	\$16,200.00	PRCC15*9795
04/02/18	Sludge removal	Quala	\$2,545.92	PRCC15*8362
06/07/18	Parts	Raleigh Mine & Indust.	\$819.90	PRCC15*1017
06/10/18	Trench paver	Road Runner Equipment	\$8,780.00	PRCC15*5740
06/26/18	Hydraulics	Roosters Hydraulics	\$98.54	PRCC15*9874
06/11/18	Parts	Rudd Equipment	\$742.06	PRCC15*5794
06/15/18	Auto glass	Safelite Autoglass	\$246.10	PRCC15*7692
06/11/18	Wrecker service	Smiths Towing	\$600.00	PRCC15*9066
11/14/17	Parts	SQ Bubs TNT Parts	\$3,357.28	PRCC15*1792
05/09/18	Landscape service	Tallyho Limited	\$3,675.00	GAX15*7008
08/27/17	Poly wafers	United Rotary Brush	\$6,802.50	PRCC15*3854
10/16/17	Blades	Valk Manufacturing	\$6,943.48	PRCC15*9015

05/01/18	Steel	Virginia Steel	\$566.70	PRCC15*2401
02/28/18	Training	Water Doctor	\$900.00	GAX15*9238

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: (29 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
05/31/18	Towing	Anthony's Truck Repair	\$100.00	PRCC15*1284
04/11/18	Vehicle glass	B & B Glass	\$275.00	PRCC15*6505
02/27/18	Steel	Beckley Steel	\$253.50	PRCC15*5580
10/02/17	Asphalt Remover	Chemstation	\$2,389.20	PRCC15*6371
03/14/18	Truck parts	Cole Truck Parts	\$68.40	PRCC15*9574
06/15/18	Hydraulic hose	Crest Supply	\$82.54	PRCC15*7687
06/18/18	HVAC service	FSI Mid State	\$496.50	PRCC15*7671
09/27/17	Equipment rental	Hertz Equipment	\$3,595.00	PRCC15*8358
09/28/17	Ice	Home City Ice	\$358.70	PRCC15*3180
09/18/17	Steam jenny soap	Hotsy Equipment	\$523.60	PRCC15*6608
06/13/18	Hydraulic Parts	IN Harry Vance Logging	\$36.29	PRCC15*1002
03/27/18	Parts	J & J Fabrication	\$244.00	PRCC15*6100
06/15/18	Parts	Metro Heavy Duty	\$241.50	PRCC15*7695
06/06/18	HVAC service	Mountain Air	\$225.00	PRCC15*3555
06/14/18	Hydraulics	Nova Rubber	\$1,981.20	PRCC15*5537
04/02/18	Sludge removal	Quala	\$2,545.92	PRCC15*8362
06/07/18	Parts	Raleigh Mine & Indust.	\$819.90	PRCC15*1017
06/26/18	Hydraulics	Roosters Hydraulics	\$98.54	PRCC15*9874
06/11/18	Parts	Rudd Equipment	\$742.06	PRCC15*5794
06/15/18	Auto glass	Safelite Autoglass	\$246.10	PRCC15*7692
06/11/18	Wrecker service	Smiths Towing	\$600.00	PRCC15*9066
11/14/17	Parts	SQ Bubs TNT Parts	\$3,357.28	PRCC15*1792
05/09/18	Landscape service	Tallyho Limited	\$3,675.00	GAX15*7008
05/01/18	Steel	Virginia Steel	\$566.70	PRCC15*2401
02/28/18	Training	Water Doctor	\$900.00	GAX15*9238

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

03/01/18	Lube	Pro Lube	\$16,200.00	PRCC15*9795
06/10/18	Trench paver	Road Runner Equipment	\$8,780.00	PRCC15*5740
08/27/17	Poly wafers	United Rotary Brush	\$6,802.50	PRCC15*3854
10/16/17	Blades	Valk Manufacturing	\$6,943.48	PRCC15*9015

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: (13 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
01/11/18	Software update	Cartegraph Systems	\$2,720.97	PRCC15*2680
06/05/18	Roller	Northeast Implement	\$3,567.72	PRCC15*6625
05/09/18	Lead test	Occupational Medicine	\$2,630.00	PRCC15*2277
03/01/18	Lube	Pro Lube	\$16,200.00	PRCC15*9795
04/02/18	Sludge removal	Quala	\$2,545.92	PRCC15*8362
06/10/18	Trench paver	Road Runner Equipment	\$8,780.00	PRCC15*5740
12/27/17	Parts	Sewer Equipment	\$3,102.91	PRCC15*7695
11/14/17	Parts	SQ Bubs TNT Parts	\$3,357.28	PRCC15*1792
05/09/18	Landscape service	Tallyho Limited	\$3,675.00	GAX15*7008
08/27/17	Poly wafers	United Rotary Brush	\$6,802.50	PRCC15*3854
10/16/17	Blades	Valk Manufacturing	\$6,943.48	PRCC15*9015
03/26/18	Plow Blades	Valley Blades	\$3,672.79	PRCC15*1897
11/13/17	Parts	Western Branch Diesel	\$2,648.47	PRCC15*1000

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: (13 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
01/11/18	Software update	Cartegraph Systems	\$2,720.97	PRCC15*2680
06/05/18	Roller	Northeast Implement	\$3,567.72	PRCC15*6625
05/09/18	Lead test	Occupational Medicine	\$2,630.00	PRCC15*2277
03/01/18	Lube	Pro Lube	\$16,200.00	PRCC15*9795
04/02/18	Sludge removal	Quala	\$2,545.92	PRCC15*8362
06/10/18	Trench paver	Road Runner Equipment	\$8,780.00	PRCC15*5740
12/27/17	Parts	Sewer Equipment	\$3,102.91	PRCC15*7695
11/14/17	Parts	SQ Bubs TNT Parts	\$3,357.28	PRCC15*1792
05/09/18	Landscape service	Tallyho Limited	\$3,675.00	GAX15*7008
08/27/17	Poly wafers	United Rotary Brush	\$6,802.50	PRCC15*3854
10/16/17	Blades	Valk Manufacturing	\$6,943.48	PRCC15*9015
03/26/18	Plow Blades	Valley Blades	\$3,672.79	PRCC15*1897
11/13/17	Parts	Western Branch Diesel	\$2,648.47	PRCC15*1000

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: (2 Instances)

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Invoice</u>
05/09/18	Unknown	Applied MSS	\$965.24	PRCC15*5690
05/08/18	Unknown	Small Equipment Service	\$41.97	PRCC15*6085

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 9 was conducted in March of 2016. The review consisted of 464 selected transactions from an approximate 10,033 total transactions from July 1, 2013 through June 30, 2014. This review resulted in 106 findings associated with 50 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.

Summary of Problem Transactions		
<i>Findings</i>	2014	2018
Stringing	2	1
Statewide Contract	1	3
Internal Resources	0	0
Failure to Bid at Delegated Level	39	42
Vendor Registration	2	3
Verification Searches	31	29
Affidavit	31	29
wvOasis Award Document/Purchase Order	0	13
Asset Tag/Number	0	0
Certification of Non-Conflict of Interest	0	13
Miscellaneous Issue	0	2
<i>Total</i>	106	135

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:

Scherry Bostic

Attended 8 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



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

Division of Highways

Office of the District Engineer/Manager
District Nine

146 Stonehouse Road · Lewisburg, West Virginia 24901 · (304) 647-7450

Byrd E. White, III
Secretary of Transportation/
Commissioner of Highways

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

September 4, 2019

MEMORANDUM

TO: Greg Clay
State Purchasing Contracts Manager

THRU: Dwain Shingleton
Director of Finance

FROM: Steven B. Cole, P.E.
District Nine Engineer

A handwritten signature in blue ink, appearing to read "SBC", is written over the "FROM:" field.

SUBJECT: DOH Purchasing Review-District Nine

The Purchasing Division Review for District Nine contained one (1) finding that could be construed as a stringing purchase:

Issue 1-Engineering Chemistry

Engineering Chemistry is a company that provides a high-quality asphalt release product that is environmentally friendly which allows for quicker clean up times and less product being utilized. After shopping other companies and seeing other products in use this was found to be the best product for the cost. With it's effectiveness and quicker clean up times it allows for better productivity.

There was no intent by District Nine employees to deliberately string purchases to this vendor.

District Nine will prepare a Request for Quotation for an open-end contract for asphalt release products.

SBC: mrc