

# **Purchasing Performance Audit**

## **WEST VIRGINIA UNIVERSITY**



101 Southpointe Drive, Suite E  
Edwardsville, IL 62025  
v.618.692.9085 f.618.692.9086

**April 30, 2008**

# **TABLE OF CONTENTS**

<b>1. INTRODUCTION AND EXECUTIVE SUMMARY</b>	<b>1</b>
<b>2. USER SATISFACTION ASSESSMENT</b>	<b>6</b>
<b>3. COMPARISON TO OTHER UNIVERSITIES</b>	<b>15</b>
<b>4. COMPARISON TO BEST MANAGEMENT PRACTICES</b>	<b>32</b>
<b>5. OVERALL COMPLIANCE REVIEW</b>	<b>42</b>
<b>APPENDIX A – SURVEY RESPONSES</b>	<b>46</b>
<b>APPENDIX B – DETAILED BEST MANAGEMENT PRACTICES</b>	<b>56</b>
<b>APPENDIX C – PROCUREMENT CARD ANALYSIS</b>	<b>69</b>

# **1. INTRODUCTION AND EXECUTIVE SUMMARY**

# **1. INTRODUCTION AND EXECUTIVE SUMMARY**

This report presents the results and findings of the purchasing performance audit conducted for West Virginia University by the Matrix Consulting Group.

## **1. AUDIT SCOPE AND OBJECTIVES.**

The purpose of the purchasing performance audit was to conduct an “independent performance audit of all purchasing functions and duties” pursuant to West Virginia Code Sections 18B-5-4. This review is required to be conducted every three years and to cover the time period that has elapsed since the previous audit. For this study, the time period covered was July 1, 2004 through June 30, 2007. This review was conducted in accordance with GAGAS for performance audits.

Specific tasks requested in the scope of services contained within the request for proposal included:

- Compliance with State law, the rules, policies, and procedures of the West Virginia University Board of Governors as they apply to purchasing, receiving, supplies and equipment.
- In general, are professional procurement procedures established and maintained within the institution.
- In general, is the CPO performing the CPO’s responsibilities, duties and remedies outlined in the West Virginia University Board of Governors’ Policy and duly adopted Purchasing Manual.
- Specifically, are the provisions of the West Virginia University Board of Governors’ Policy and duly adopted Purchasing Manual being followed for purchases in the following categories:
  - Purchases not exceeding \$5,000;
  - Purchases greater than \$5,000 but not exceeding \$25,000; and
  - Purchases greater than \$25,000.

- Have institutional guidelines and procedures for purchases of \$5,000 and less been established, approved and filed by the CPO as required by the West Virginia University Board of Governors' Policy and duly adopted Purchasing Manual.
- Are the requirements of the Board of Governors' Purchasing procedures manual being followed?
- Determine if the Purchasing Card Program is being managed by the WVU and its regional campuses in conformance with West Virginia code Section 12-3-10a and Title 148CSR7.
- Identify "Best Business Practices" at WVU and its regional campuses, from other states or the private sector that the project team would recommend be adopted by the WVU and its regional campuses to improve efficiency and performance.
- Evaluate purchasing staff levels and activity at the WVU and its regional campuses and compare them to staffing and purchasing activities at other public entities and private industry.
- Make recommendations that the project team believes would improve efficiency and accountability at the institution level and system-wide, including combining some or all purchasing functions.
- Identify factors inhibiting satisfactory performance, and identify ways of making purchasing work better at both the system and institution levels.
- Make recommendations on utilizing bulk purchasing, reverse bidding, electronic marketplace, etc., to take advantage of economies of scale and efficient operations.
- Make recommendations on additional flexibility in purchasing rules, policies, procedures and State law that would improve efficiency and execution.
- Identify internal controls that should be implemented at the WVU and its regional campuses and at the system level by the Commission.

## **2. OVERALL ASSESSMENT.**

The project team's evaluation noted no material findings of deficiency in the performance audit of WVU procurement practices and compliance with State and University laws and regulations. Several strengths were identified and are detailed in Section 4 of this report. At the same time, several opportunities for improvement were

noted and are contained within Section 4 of this report. Section 5 of this report provides a more detailed analysis and discussion of specific compliance functions.

The Procurement Staff have identified and are currently pursuing the implementation of several items that will greatly increase the effectiveness and efficiency of the procurement function at WVU.

### **3. LISTING OF RECOMMENDATIONS.**

The following table is provided for ease of reference as a summary of the major recommendations contained within the report.

<b>Section</b>	<b>Recommendation</b>
3.9	The WVU website should be expanded to provide greater purchasing information and functionality.
4.2	The legal authority and precedence of the WVU Board of Governors purchasing manual must be clarified.
4.2	The purchasing manual should be updated over the next year to eighteen months.
4.2	An ongoing staff development program should be implemented.
4.2	Specific procurement staff should be assigned as liaisons to individual user departments to provide a single point of contact with purchasing staff.
4.2	A "How to Do Business" Manual should be developed for WVU and posted on the website.
4.2	Additional vendor training programs should be implemented to assist small and local vendors navigate the procurement process.
4.2	An ongoing vendor survey should be implemented.
4.2	A vendor evaluation system should be developed and implemented to track vendor performance.
4.2	The weekly and monthly p-card reports should be more effectively utilized.
4.2	P-card utilization should be limited in certain areas (inter-departmental transfers and large recurring payments).
4.2	A coordinating mechanism should be put into place to enable procurement staff to identify and manage the contracts awarded to vendors on a non-competitive basis to reduce likelihood of compliance issues with the \$25,000 bidding threshold.

<b>Section</b>	<b>Recommendation</b>
4.2	Efforts should be explored to implement electronic purchase orders.
4.2	On-line services should be enhance to provide access to the purchasing manual, enable electronic bidding opportunities, and enable full implementation of Sci-Quest. Electronic signature authority should be sought.
4.2	Additional efforts should be placed on finalizing development of the project dashboard.
4.2	Procurement staff should conduct periodic spend analysis and procurement reports to identify additional opportunities for implementing University-wide contracts.
4.2	Departments should provide, as part of their submission of sole source documentation, copies of relevant sections of research grants and contracts.
4.2	WVU should implement a "best pricing" clause in all sole source purchases.
4.2	A vendor evaluation system for construction contractors should be implemented.
4.2	A comprehensive listing of University-wide contacts, as well as cooperative purchasing opportunities, should be developed and posted on the website for departmental use.
4.2	Additional clerical staff support should be provided to buyers to provide more time for them to focus on "higher value" procurement functions.
5.1	All contested invoices should be centrally logged noting deficiency of the invoice and the action taken. Vendors should be promptly notified of the deficiency or cause of delay in processing to prevent concerns relative to compliance with the Prompt Payment Act.
5.1	Additional efforts should be made to ensure that all supporting documentation relative to sole source purchases is filed in the purchasing order file.
5.1	All date and time stamping of bids received should be done in a manner that makes it a permanent part of the bid documentation.
C.1	Procurement Services should develop a process by which transactions flagged for noncompliance are investigated. Results of each investigation should be thoroughly documented, including findings, resulting consequences and actions.
C.1	P-Card Administration should also develop performance reports to be provided to the Unit's supervisor, as well as Procurement Services management team.
C.2	Procurement Services should create and conduct ongoing spend analyses to ensure that the University is maximizing competitive bidding opportunities.

<b>Section</b>	<b>Recommendation</b>
C.2	Procurement Services should develop policies to promote the use of negotiated contracts on items such as travel (e.g. hotel brands, rental car agencies, etc.), office supplies, hardware supplies, cell phones, etc.
C.2	Procurement Services should expand the procurement card audit function to include periodic audits of transactions to ensure use of negotiated contracts and relevant discounts, including State negotiated rates, etc.
C.2	Procurement Services should develop a policy governing the use of blanket purchase orders for frequently used vendors (e.g. office supplies stores, book stores, food / beverage vendors) and / or routine payments, such as utility bills, cell phones, newspaper subscriptions, etc.
C.2	Procurement Services should reduce the use of procurement cards for intra-University transactions and establish intra-University fund transactions and / or internal blanket purchase orders.

More detailed discussion and background on these recommendations is contained in the following sections.



## **2. USER SATISFACTION SURVEY**

## **2. USER SATISFACTION SURVEY**

As part of the Purchasing Performance Audit, the Matrix Consulting Group conducted a number of interviews with various departments throughout the University who regularly use the services provided by the Purchasing Department. These interviews, which targeted customer satisfaction, were in lieu of focus group meetings, so that more detailed and specific information could be gathered about performance without concerns about interviewees being guarded in their responses.

The points, below, provide a discussion of the user satisfaction survey process.

- The University provided the project team with a list of Departmental contacts that have used the services of the Purchasing Department on both a frequent and less than frequent basis.
- The surveys were conducted by telephone generally during the week of December 17, 2007.
- The project team contacted Assistant Vice Presidents, Deans, Associate Deans, and Department Directors or Program Chairs in both centralized departments as well as programs or Colleges within the University.
- In some instances, executives requested the assistance of business or operations managers in answering the questions and providing details about their experiences so that a complete picture could be obtained.
- The project team utilized a specific interview guide and process. This process included the following:
  - Introduction of the study team member and the purpose of the survey.
  - Identification of additional person(s) who might have particular knowledge about the department's interaction with the Purchasing Department.
  - Follow-up interviews with subordinate staff possessing additional information or details, as necessary.

- The use of a User Satisfaction Survey Question Outline in order to assess the overall performance of the procurement function, which included questions such as:

<b>User Satisfaction Survey Questions</b>
What is the extent of your interaction with the Procurement Services Division? (i.e. purchasing of commodities, services, construction projects, etc.). How frequently do you interact?
With respect to procurement, what is the University doing well? What works?
What are your perceptions of the customer service provided to vendors by the Procurement, Contract and Payments Division of Business Support Services (e.g. friendliness, responsiveness, etc.)?
What type of information is available to you as an employee / department user? Is it helpful? Is there additional information you would like made available on the University's website?
Is the service level and information provided by purchasing: Timely? Thorough? Accurate?
How well communicated is the procurement process? Prior to submitting a requisition, do you know what process it will follow and what is expected of you? Do you know what it will take to get a purchase completed? (i.e. the type of information needed?)
When you have submitted a purchase requisition, how are you kept informed of the activities or status of your request (via email, financial system, phone calls, etc.)? Is this communication conducted at a sufficient level and in a timely manner?
Does staff make themselves available to explain the process or to assist you in dealing with issues related to the purchasing requisition? Is there a "culture of service" from the staff?
What are your perceptions about the procurement process for West Virginia University? Open? Consistent? Competitive? Timely?
Are the policies and procures: Well defined? Too broad? Too narrow? Flexible/Inflexible? Do you understand what is required to comply with them?
Are there any examples where the University's policies and procedures relative to procurement have required you to change the item you were looking to purchase? Or has impacted your ability to meet Departmental needs? What single change would most impact this?
What are the key opportunities for improvement with respect to the procurement process at West Virginia University?
Are you familiar with the planned implementation of a SciQuest program that will enable you to purchase directly off existing contracts that the University has established? If so, in what ways do you feel this will impact your operations or your ability to get needed items quickly?

- While these interviews were confidential, the project team took notes in order to report to the Board of Governors on the general themes, trends and issues identified during the discussions.

- The project team interviewed a total of 14 people, all of whom have interaction with the Purchasing Department from daily/extensive to less frequently. The average length of the telephone survey discussions was approximately 45 minutes and was detailed in nature.
- The activity level of goods and services purchasing levels ran the gamut from tens of millions of dollars, with many hundreds of transactions, to much smaller activity levels that can generally be accomplished via procurement cards with occasional bid needs every couple of months. Department sizes varied from large to small.

The summary provides a discussion of the themes, trends and issues identified via the interview process. The points, below, present a summary of the key strengths of the University's procurement processes as identified by the survey participants.

- **The participants surveyed throughout the University system expressed overall satisfaction with the Purchasing Department's service level and believe there is a "culture of service."** Most participants viewed the customer service level positively. This included affirmation that the Department provides prompt responses to questions and clarification on bids or requests for proposals. It was also mentioned that the Department has made significant progress in transitioning from a regulatory mindset to a customer service mindset. There were, however, comments related to the shift in thinking not taking place with all staff and that the service level varies depending upon the person involved. As far as the future, it was observed that the University system resists change and is bureaucratic, which may counter Departmental efforts by the Chief Procurement Officer to implement positive changes (as it has reportedly in the past). Overall, the project team would rate the departments' viewpoints as in the average to good rating level (a low of 5 and a high of 9 out of a possible 10).
- **Overall, the participants felt that the processes that are used are open and competitive.** There were no reported issues with competitiveness in procurement and Departments described positive experiences with Purchasing staff making efforts to ensure bids were detailed and competitive, especially on specialized items.
- **The P-Card Program is a tremendous success and the Departments universally enjoy the convenience and associated efficiency.** Without exception, the procurement card program is well received by department users. There were suggested refinements and expansion of the program that are discussed later herein.

- **Agency-wide and/or negotiated contracts that allow multiple Departments to purchase goods that they previously had to separately bid has improved procurement efficiency.** Several Departments discussed contracts that are in place, in the context of ease of use for their purposes. These contracts made available services and commodities that previously had to be separately bid since they exceeded the bid threshold. Some contracts are viewed in a positive manner; however, there are contracts that users felt hindered competitive pricing. For ease of procurement, the office supplies and computer hardware contracts were seen as very positive. Travel, car rentals, and certain services were seen as problematic due to cost inefficiency.

In addition to identifying the key strengths, survey participants were asked to identify opportunities for improvement. Because the department's "culture of service" may fluctuate somewhat based upon the staff person involved, it should be noted that some staff were characterized as over regulatory or compliance oriented, while other staff were described as very customer oriented. With that background, some of the discussion points or suggested improvements made by survey respondents may not hold true in all circumstances, since the service level may vary. That being said, the list, which follows, consists of only items that were mentioned by multiple departments that are of a more global nature.

- **By far the greatest opportunity for improvement identified by survey respondents was a need to improve communications.** Key issues in this area relate to both the procurement processes that are currently being used as well as bid process status updates. An integral and related issue is:
  - **The quarterly business officers meetings were reported to be of very limited value for increasing knowledge of procurement operations and policies as they are currently conducted.** Although the procedural documents on the website were reported to be helpful, the department is missing a significant training opportunity by being more proactive in helping departments navigate the procurement rules and procedures. The missed opportunity would involve using the meeting to both train and inform staff about new developments and initiatives in the Purchasing Department. Without exception, when help is requested, staff was reported to be very helpful, but outreach is an identified improvement area. For example, there was little to no knowledge at the department level about the Sci-Quest purchasing project, with only 2 of the 14

respondents recognizing the term or having a limited understanding of the automation opportunity.

- **An item closely related to communication that was mentioned frequently is the need to establish consistent policy interpretations and the need to get the same answers regarding applicable policies and procedures.** This issue involves the reported problem related to policy consistency. There seems to be two sets of guidelines and rules that are being followed. The first set of rules are standard, State of West Virginia rules, and the second set of rules are the University rules, which are more flexible due to the passage of the Senate Bill last year that allowed the University to establish its own procedures. The problem is that there has been no uniform or consistent rollout of policy updates for all departments and the rules are interpreted differently between departments and among Purchasing staff. There is confusion as to what is still applicable under the State Law and which policies may be under update due to the Senate Bill. Specific consistency issues identified by survey respondents include:
  - There are different rules for different Departments.
  - Rule updates or changes have been made without conferring with departments or Expert Business Officers, without asking EBO's for input, and without widespread promulgation of the rule change.
  - Senate Bill rules and procedural updates need to be developed.
  - Follow State rules or develop more updated University rules.
  - Hospitality policy was revised, but is not clear between departments or may be applied differently.
  - Information technology purchases seem to have no rules – specifically as it relates to which components must be procured competitively versus what could be purchased off contract. Some confusion exists, specifically related to ongoing annual costs – just as with maintenance, licensing fees, updates, etc.
- **Training user departments in Purchasing policies and procedures needs to be improved.** The training that is provided is helpful, but it was reported that it relates only to “how to” perform tasks using the Mountaineer Administrative Processing (MAP) system. Training needs to be provided and strengthened in existing University policies and procedures to include developing an understanding of the processes and rules that must be followed to implement purchases beginning with bid types, thresholds and steps needing to be followed. Training on how to use the MAP system can continue to be provided via Purchasing and/or Information Technologies.

- **The participants did not always believe that the Purchasing processes were timely or flexible; however, this comment was often accompanied by the observation that the workload versus the staffing level may not be adequate.** There were several comments relating to the fact that Purchasing is doing the best they can with the allocated resources. It was suggested that staffing levels should be analyzed in the context of this study. Regarding flexibility, it was felt that the needs of students related to Auxiliary Services purchases for the Student Union and other campus stores and retailers should be more flexible. For example, procurement staff needs to consider the Department's expertise as it relates to brand selections instead of "equivalent products" that may not sell but may be cheaper to acquire. There is a belief that these conflicting objectives, along with disparate expertise levels, causes Purchasing staff to impact business decisions that are in the realm of the Department's special expertise.
- **Centralization of Purchasing has diminished specialized knowledge and the required flexibility/autonomy of highly specialized departments.** More than one department advised that their procurement needs require specialized knowledge that should be developed by Purchasing Department staff through a permanent staff assignment to their department. This has been accomplished in at least one remote location where there is an assigned lead agent. This arrangement has worked very well and would also minimize conflicts related to the prior item. Two examples where this might also be considered per the departments include:
  - **Student Union and Auxiliary Services** – Because they procure a vast amount of expendable supplies for food services and have many other specialized procurement needs, it was reported their operation is significantly different than that of the typical academic department because it is more market driven. This includes many vendor contract agreements and leases involving revenue sharing as well as goods that involve business decisions that are being made by procurement staff rather than the department.
  - **Forensics Research Initiative** – This is another example where it was felt that the department could benefit from a permanently assigned purchasing agent who could become more familiar with departmental needs. There is a lot of specialized equipment as well as a lot of research funding.
- **The number of negotiated contracts or agency-wide purchasing contracts should be expanded.** Survey participants felt that the existing negotiated contracts, coupled with the procurement cards, is a very efficient and effective way to procure goods. Two contracts that were specifically mentioned were Office Depot for office supplies and Dell for computers. Both of these contracts provide special WVU websites to work through which is very convenient.

- **A system of Departmental oversight on P-cards needs to be developed.** It was reported that there are a number of situations in which subordinate staff is the oversight authority for higher-level positions which could create a conflict. It is unlikely that the P-Card Administrators within each department have full control and authority of the users within that Department, and may in fact shy away from confrontation with bosses.
- **The Mountaineer Administrative Processing (MAP) system needs to be updated more frequently.** The purchase order and procurement related systems need to be kept more up to date. It often takes a couple of weeks for the system to reflect the awarding of bids and contracts, which can create implementation delays.
- **The purchasing process has an inherent delay when there is a need to get paperwork through the Tax Office related to contractual providers' tax status.** It was reported that when delays are encountered, it has been found that the paperwork to implement procurement cannot be processed because the Tax Office requires tax status information from the vendor or contractor. There is a void or lack of follow through in determining whose responsibility it is to make sure that the Tax Office has what it needs.

Besides the data collected related to strengths and opportunities for improvement, University staff were asked an open-ended question regarding how they would change the current processes and procedures to better serve their department when problems or issues were identified. The table, beginning on the following page, provides suggested solutions offered by University personnel to improve the processes and procedures of the Purchasing Department in the key issue areas.

User Department Staff Generated Improvement Suggestions
<b>Communications:</b>
<ul style="list-style-type: none"><li>• Develop an automated system for e-mail notification when P.O.'s are issued.</li><li>• Establish a policy that requires the Purchasing Department to advise user departments upon PO issuance by e-mail (done by one agent who received several compliments).</li><li>• Improve Inter-Departmental coordination and communications with the College Business Officers Group by involving them in policy changes before they are reviewed, updated and implemented.</li><li>• Develop more informative and useful web pages to improve information dissemination and use blast e-mails when important updates are posted.</li></ul>



**Policy Administration:**

- Develop a common understanding and consistent application of the Senate Bill updated purchasing policies which should be further developed in conjunction with the Business Officers.
- Enforce rules, policies and procedures in a more consistent manner by developing one common policy that is applicable to all with special features for circumstances like Federal or State grant accounting needs.
- Consider decentralization by assigning specific Lead Purchasing Agent(s) to handle assigned department(s), which has been successfully used by at least one outlying facility with the centralized purchasing function used only to facilitate exceptions to what is typical and normal within that department's operation (central is used for special help).
- Consider centralizing credit card administration to improve oversight by a central administrative office.

**Purchasing Contracts:**

- Increase the number of available web-based contract purchasing opportunities.
- Allow for Departments to go outside of the contracts when the negotiated or agency-wide contracts are not the least expensive route.
- Eliminate the travel agent contract in this day and age of inexpensive and accessible Internet travel deals, including allowing users to go outside of the related vehicle rental contract.

**Special situations:**

- Develop specialized knowledge for unusual departments by assigning Purchasing staff instead of rotating them among various assignments; sometimes special knowledge is more valuable than cross-training.
- Consider full decentralization of staff to working with the Expert Business Offices assigned to each area.

**Training:**

- Expand training beyond how to use the MAP system by developing purchasing training courses that focus on the policies and procedures related to procurement, once consistent policies and procedures are developed for widespread implementation.
- Purchasing should have a dedicated slot to use the quarterly Business Officers Meeting to update departments on initiatives and also use them for special training modules, which will also enhance proactive communication and customer service.

Overall, interviews with user departments and employees provided insight and useful information to the project team regarding service levels provided by the procurement staff and an indication of the service levels provided to user departments.

### **3. COMPARISON TO OTHER UNIVERSITIES**

### **3. COMPARISON TO OTHER UNIVERSITIES**

As a part of the performance audit of the Purchasing functions at West Virginia University, the project team conducted a comparative survey of purchasing and procurement functions of other comparable universities throughout the United States. The project team developed a survey instrument that was distributed to twelve university purchasing departments. The project team was only able to convince four of the universities to participate in the survey despite repeated attempts and requests from the WVU Chief Procurement Officers for the other universities' participation.

This document presents a summary of the information collected from this survey for use in placing the practices in place at WVU into context with those utilized by other universities. This information was utilized, in addition to other best management practices, as part of the analysis conducted in later sections of the report.

#### **1. SURVEYED AGENCIES PROVIDED GENERAL INFORMATION ABOUT DEPARTMENT OPERATIONS.**

Survey participants were asked to provide data regarding general university demographics as well as staffing for the purchasing and procurement department. The tables, which follow, present the results.

<b>Name of Community:</b>	<b>University of Pittsburgh</b>	<b>University of Nebraska, Lincoln</b>	<b>University of Virginia</b>	<b>Indiana University (Indianapolis)</b>
<b>Undergrad Students:</b>	22,000	20,000	13,500	25,000
<b>Employees at University:</b>	12,000	5,500	11,000	6,000

Universities that responded to the survey ranged in student body size from 13,500 (University of Virginia) to 25,000 (Indiana University, Indianapolis Campus). Staffing ranged from 5,500 (University of Nebraska) to 11,000 (University of Virginia). Additionally, the greatest ratio of staff per student occurred at the University of Virginia with a ratio of 0.81 staff per student, compared to Indiana University with a ratio of 0.24 staff to student.

In addition to university staffing, survey participants were also asked to provide data regarding staffing levels within the department. The table, which follows, presents the authorized staffing levels for the departments.

**Staffing Levels**

	<b>University of Pittsburgh</b>	<b>University of Nebraska, Lincoln</b>	<b>University of Virginia</b>	<b>Indiana University (Indianapolis)</b>
Purchasing Department Staff	N / A	N / A	14	13
Total Employees in Procurement:	23	15	45	17
Administration / Managers:	2	2	7	2
Buyers:	13	8	9	1
Contract Managers:	0	0	0	5
Accounts Payable Staff:	N / A	0	12	0
Support Staff:	3	3	N / A	10
Other:	2	2	0	0

On average, staffing levels for purchasing departments ranged between 15 personnel (University of Nebraska) and 45 personnel (University of Virginia). However, it should be noted that the University of Virginia total staffing number includes those

personnel in Accounts Payable, Surplus, Loading Dock, Facilities as well as Support staff.

**2. COMPARATIVE UNIVERSITIES REPORTED A RANGE OF PURCHASE REQUISITIONS.**

Survey participants provided data about the number of transactions processed in the department. The data in the table, which follows, summarizes the survey information provided.

**Number of Requisitions, POs Issued and P-Card Transactions**

	<b>University of Pittsburgh</b>	<b>University of Nebraska, Lincoln</b>	<b>University of Virginia</b>	<b>Indiana University (Indianapolis)</b>
<b># of Requisitions Processed</b>	2,500 in Purchasing & 80,000 in depts.	N / A	5,900	53,259
<b># of POs issued</b>	2,500 in Purchasing; 80,000 in Depts.	6,000	5,900	94,820
<b># of P-Card Transactions</b>	45,000	75,000	60,000	22,048
<b># of Invoices Processed</b>	107,000	N / A	130,000 on PO invoices	220,000

As presented in the table, above, each university had a widely varied number for all of the categories mentioned.

Survey participants were asked to provide general data regarding the dollar amounts processed. The table, which follows, presents a summary of this data.

**Dollar Amount Processed by the Department**

	<b>University of Pittsburgh</b>	<b>University of Nebraska, Lincoln</b>	<b>University of Virginia</b>	<b>Indiana University (Indianapolis)</b>
<b>Total \$ Amount Processed by Department:</b>	N / A	\$192 million	\$135 million	\$198 million
<b>Total \$ Amount Processed on Purchase Orders:</b>	\$223 decentral, \$145 central (millions)	\$64 million	\$135 million	\$195 million
	\$22 e-pro			
<b>Total \$ Amount Processed on P-cards:</b>	\$12 million	\$18 million	\$18 million	\$4 million
<b>Total \$ Processed on Direct Pay Invoices:</b>	N / A	\$110 million	\$130,000 on direct entry invoices (payment voucher)	\$26 million

The points, which follow, present a discussion of the information presented in the table, above.

- The total dollar amounts processed by the various departments ranged between \$198 million (Indiana University, Indianapolis Campus) and \$135 million (University of Virginia).
- The total dollar amount processed by purchase orders varied approximately \$160 million between departments, with a high of \$223 million (University of Pittsburgh) and a low of \$64 million (University of Nebraska).
- The total dollar amounts processed by P-cards ranged between \$4 million (Indiana University, Indianapolis Campus) and \$18 million for both the University of Virginia and the University of Nebraska.
- The total amounts processed on direct pay invoices ranged between \$130,000 (University of Virginia) and \$110 million (University of Nebraska).

The information presented above presents the variations of how dollars are processed at the different universities.

**3. ALL UNIVERSITIES SURVEYED REPORTED HAVING A CENTRALIZED PROCUREMENT OFFICE, HOWEVER, PURCHASING AUTHORITIES VARIED FROM UNIVERSITY TO UNIVERSITY.**

Respondents were asked a series of questions with regards to the organization of authority within each university. The table, which follows, outlines the responses.

**Organization of Authority**

	<b>University of Pittsburgh</b>	<b>University of Nebraska, Lincoln</b>	<b>University of Virginia</b>	<b>Indiana University (Indianapolis)</b>
Does your organization have a centralized procurement office?	Yes	Yes	Yes	Yes
Are staff in operating departments able to directly purchase goods and services or enter into contracts without utilizing the central procurement office? Under what limits?	Yes, most under \$5K, some have higher authority	Contracts less than \$5K. E-orders to prime vendors	Yes up to \$10,000	They are able to purchase up to \$1,000
Are you able to enter into service contracts without bidding? If yes, what are the requirements for doing so and who is authorized to enter into these contracts?	Yes, sole source; less than \$5K by departments with std T's and C's, others by Purchasing with Purchasing Manager's approval	Yes. Regents policy does not require competition for professional services	Yes. \$5,000 competition limit applies. Director of Procurement Services signs contracts	Yes, if they are directly with the manufacturer or if they are under the \$5K threshold for bidding. Purchasing Contract Managers can sign agreements.
Is the procurement office responsible for auditing P-card transactions?	No	No	Yes	No
Are check payments processed by and issued by the University or by another entity (i.e. State)?	University	State	Yes	University
Are your purchasing policies developed by the University or outlined in State Statute?	University	Regents Policy	Both.	University

The following points summarize the data in the table, above:



- All universities have a centralized procurement office.
- All universities allow their staff to directly purchase goods or services without entering into contracts although, the limits range between \$1,000 and \$10,000.
- Only the procurement office at the University of Virginia is responsible for auditing P-Card transactions.
- Check payments are processed and issued by varying entities including both the State and University.
- Purchasing policies for the Universities were developed by varied sources including the University and State.

Respondents were also asked to provide a summary of the dollar limits for approval of purchases for a variety of positions or management levels. The table, which follows, presents the responses provided.

**Purchase Limits per Position**

	University of Pittsburgh	University of Nebraska, Lincoln	University of Virginia	Indiana University (Indianapolis)
Under your current procurement policy, what are the dollar limits for purchases placed on the following positions/management levels?				
	<u>Able to approve purchases up to:</u>			
Department Director	N/A	\$400,000	\$5 million	No limit
Division Manager	N/A	\$75,000 (Buyer)	\$500,000 (Asst. Director)	No limit
Procurement Officer	N/A	N/A	\$300,000 (Procurements Manager)	No limit unless not the low bid or contract.
Other:	N / A	\$5,000 (Ordering Department)	\$200,000 (Senior Buyer)  \$100,000 (Buyer Specialist)  \$50,000 (Expeditor)	Purchases that are not low bid and in excess of \$25K are reported to the board of trustees

As presented in the table, above, survey respondents provided a wide range of purchase limits for various positions. Many of the respondents provided the purchase limit for the position equivalent (*italicized*) for their respective department.

**4. THRESHOLDS FOR PROCUREMENT METHODS VARY SIGNIFICANTLY AT DIFFERENT UNIVERSITIES.**

Respondents were asked to provide the dollar thresholds for the different methods of procurement. Respondents were asked to describe the dollar thresholds for:

- Procurement Cards (P-Cards),
- Informal Solicitation,
- Formal Solicitations (Bids / RFPs / RFQs), and
- Sole Source Purchases.

The table, which follows, contains the responses from the survey.

**Dollar Thresholds For Different Procurement Methods**

	University of Pittsburgh	University of Nebraska, Lincoln	University of Virginia	Indiana University (Indianapolis)
Please indicate the dollar threshold (or other requirements) that require the use of the following procurement methods:				
Procurement Card	N/A	<\$5K	\$5,000 informal	\$1,000
Informal Solicitation (Quotes)	N/A	>\$75K	\$50,000 formal	\$5,000
Formal Solicitation (Bid/RFP/RFQ)	N/A	>\$75K	N/A	\$10,000
Sole Source Purchases	N/A	<\$5K	N/A	\$5,000

Important points to note, in the table above, include:

- The highest threshold for procurement card purchases is \$5,000; this was reported by both the University of Virginia and the University of Nebraska.

- The highest reported threshold for informal solicitations was the University of Nebraska who reported the threshold to be \$75,000. The second highest threshold was \$50,000 (University of Virginia) and finally \$5,000 (Indiana University). The University of Pittsburgh did not provide a response.
- The highest reported threshold for formal solicitations was \$75,000 (University of Nebraska) followed by Indiana University at \$10,000. Neither the University of Pittsburgh nor the University of Virginia provided a response.
- The highest reported threshold for sole source purchases was \$5,000 for both the University of Pittsburgh and Indiana University. Neither the University of Pittsburgh, nor the University of Virginia provided a response.

Respondents reported a variety of dollar thresholds for different procurement methods. Based on the survey, formal solicitations have the highest dollar threshold, followed by informal solicitations.

#### **5. ALL RESPONDENTS SURVEYED USE PURCHASING CARDS, ALTHOUGH VARIATIONS ON THE POLICIES ASSOCIATED WITH P-CARDS EXIST.**

Respondents were asked to describe the policies and procedures associated with Purchasing cards. The table that follows presents the responses provided.

	<b>University of Pittsburgh</b>	<b>University of Nebraska, Lincoln</b>	<b>University of Virginia</b>	<b>Indiana University (Indianapolis)</b>
Does your organization utilize Purchasing cards?	Yes	Yes	Yes	Yes
If so, what limits do you impose on their use (i.e. - who authorized to utilize, in what amount)?	N / A	Goods or service less than \$5,000. Any employee can have a card with Dept Chair/Director approval.	\$5,000 with same restrictions as LIPO	\$1,000 per transaction; \$10,000 per month total or smaller increments Each card is unique in its limits as specified by their business office.
How many purchasing cards are issued to staff within your organization?	4	3,000	1,400	650 at the Indianapolis Campus

	University of Pittsburgh	University of Nebraska, Lincoln	University of Virginia	Indiana University (Indianapolis)
Are all purchases placed on purchase orders? If not, what are the requirements for when purchase orders are required? (i.e. type of purchase, dollar limit, etc.)	Yes	Must use a PO if over \$5000 and not able to order direct electronically from a prime vendor.	Yes, except for P-card and direct entry invoices	Yes, other than those on P-cards

Important points to note in the preceding table include:

- Each university surveyed uses purchasing cards.
- The University of Nebraska and the University of Virginia both utilize \$5,000 restrictions with the purchasing cards, whereas Indiana University imposes a \$1,000 per transaction limit and a \$10,000 per month limit.
- Respondents reported a wide variety of the number of purchasing cards in use by the University.
  - The University of Pittsburgh reported only four purchasing cards in use,
  - The University of Nebraska reports approximately 55% of employees have P-cards.
  - The University of Virginia reports approximately 13% of employees have P-cards.
  - Indiana University (Indianapolis Campus) reported that approximately 11% of employees have P-cards.
- The University of Nebraska and the University of Virginia impose \$5,000 restrictions with the purchasing cards, whereas Indiana University imposes a \$1,000 per transaction limit and a \$10,000 per month limit.
- Each university surveyed reports that all purchases are placed on purchase cards. Both the University of Virginia and Indiana University require POs for invoices that are not on P-cards.

Each university reported that P-cards are utilized, although each university reported different policies and procedures associated with the P-card.

**6. RESPONDENTS HAVE EXISTING SERVICE CONTRACTS FOR SEVERAL AREAS INCLUDING OFFICE SUPPLIES, TRAVEL SERVICES, MAILING SERVICES, AND FURNITURE SERVICES. HOWEVER, SOME VARIATIONS EXIST WITH THE POLICIES AND PROCEDURES ASSOCIATED WITH ENTERING INTO SERVICE CONTRACTS.**

Respondents were asked to discuss several areas of service contracts, including existing service contracts as well as the policies and procedures associated with entering into those agreements. The subsections, which follow, describe the responses from each university.

**(1) With Regards to Contracts for Office Supplies, Travel Services, Mailing Services, and Furniture Services, Each University Has Existing Contracts.**

Respondents were asked to describe their established contracts for a variety of services and to describe some aspects of those contracts. The results of these questions can be found in the table, which follows:

**Existing Contracts**

	University of Pittsburgh	University of Nebraska, Lincoln	University of Virginia	Indiana University (Indianapolis)
Do you have established contracts for the following services?				
Office Supplies:	Yes	Yes	Yes	Yes
Travel Services (i.e. vehicle rental, airline, travel agent services):	Some	Yes	Yes	Yes
Mailing Services (i.e. FedEx, UPS)	Yes	Yes	Yes	Yes
Furniture:	Yes	Yes	Yes	Yes
Other (please describe):	Scientific and Medical	Scientific supplies and equipment, MRO, building trades, moving services. See our website for a complete list	We have 700 contracts in over 70 commodities	Not exclusive. They can purchase from other vendors but will need to justify.

**Existing Contracts**

	<b>University of Pittsburgh</b>	<b>University of Nebraska, Lincoln</b>	<b>University of Virginia</b>	<b>Indiana University (Indianapolis)</b>
Do these established contracts provide exclusivity to the vendor or may employees choose to purchase from other vendors. If there is no exclusive arrangement, are there any specific requirements that must be met to purchase from a different vendor?	Policy requires use of contracted suppliers	Not exclusive, but have approximately 90% contract compliance.	No exclusive. Some primary. No requirement must be met	N / A

The following points summarize the data presented in the table, above:

- Each university surveyed has established service contracts for office supplies, travel services, mailing services, and furniture services.
- The established contracts do not, however, provide exclusivity for those particular vendors.

**(2) The Policies and Procedures Associated With Entering Into Contracts Varies Among the Respondents.**

Respondents were asked to describe the policies and procedures associated with entering into contracts. Responses are detailed in the table below.

**Entering Into Contracts**

	<b>University of Pittsburgh</b>	<b>University of Nebraska, Lincoln</b>	<b>University of Virginia</b>	<b>Indiana University (Indianapolis)</b>
When entering into service agreements, what procedures do you utilize for selecting a vendor? (i.e. qualification based, pricing, etc.)	RFP or sole source	Qualification based and price reasonableness	Qualifications	Try to keep local if possible. If it's a service that many can provide we bid it.
Under what circumstances, if any, can you enter into a service contract without conducting a competitive process (bid, RFP, or RFQ?	Sole source	Regents policy allows contracting for professional services without bidding.	Sole Source	Service agreement directly with the manufacturer

- The selection process for contractors is based on qualifications for both the University of Nebraska and the University of Virginia. Indiana University, however, prefers to utilize local vendors.
- The competitive process, for each of the Universities, with the exception of the University of Nebraska, can only be bypassed in a sole source circumstance. The University of Nebraska, however, allows for professional services to be acquired without a competitive process.

As reported, the procedures for selecting vendors varies across universities, as do the circumstances that allow the universities to bypass the competitive process.

**7. EACH PROCUREMENT DEPARTMENT REQUIRES JUSTIFICATION DOCUMENTATION FOR THE USE OF SOLE SOURCE CONTRACTS. EACH UNIVERSITY ALSO REPORTS THAT THE JUSTIFICATION DOCUMENTATION IS REVIEWED AND VERIFIED BY THE PROCUREMENT DEPARTMENT.**

Respondents were asked to provide responses to several questions about sole source contracts. The table below discusses the following questions:

- What limitations are placed on the utilization of sole source purchasing?
- Who is responsible for approving sole sources contracts?
- When a sole source purchase is proposed, what is the process for verifying the justification?
- Does the procurement department review and verify the sole source justification documentation?

The table, which follows, details the responses about the preceding questions.

**Policies Governing Sole Source Contracts**

	<b>University of Pittsburgh</b>	<b>University of Nebraska, Lincoln</b>	<b>University of Virginia</b>	<b>Indiana University (Indianapolis)</b>
What limitations do you place on the utilization of sole source purchasing (i.e. what requirements must be met for eligibility)?	Follow policy and submit required form	Almost all are research oriented for a particular purpose or match existing	Justification form provided, market survey and negotiation.	We have very few sole sources. Generally this would be in the medical or scientific equipment arena. The PI would submit a statement illustrating why they understand this to be a sole source and then the buying team would research this online and through their knowledge of the commodity to verify if this is valid. If it is over the \$25K threshold it is reported to the Board of Trustees.
Who is responsible for approving sole source contracts (e.g. Procurement Department, Operating Department director, etc.)?	Purchasing Dept	Director of Purchasing	Assistant director up to \$100,000 or director	Procurement Department
When a sole source purchase is proposed, what is the process for verifying the justification for the sole source purchase?	Review form	Research by the buyer	Form submitted with requisition	Procurement Department
Does procurement review and verify the sole source justification documentation?	Yes	Yes	Yes	Yes

Important points to note in the table, above, include:

- Three of the four respondents reported that the requirements for the utilization of sole source purchasing include market research. The University of Pittsburgh states that purchases must be done in accordance with University policy.



- The authority to approve sole source purchases lies within the Procurement Department at each university.
- The procurement department at each university reviews and verifies the sole source justification documentation provided.

Based on the results of the survey, respondents have similar policies with regards to sole source contracts, although the limitations and requirements vary slightly.

**8. NO RESPONDENTS CONDUCT PERIODIC REPORTS OR ANALYSES REGARDING THE NUMBER AND AMOUNT OF CONTRACT CHANGE ORDERS, ALTHOUGH ALL UNIVERSITIES CONDUCT “ANNUAL SPEND ANALYSIS” REPORTS.**

Respondents were asked to discuss the reports that the procurement department runs on a regular basis. All respondents answered similarly; no universities run periodic reports or analyses regarding the number and amount of contract change orders. All universities responded that the procurement staff is responsible for conduction annual “spend analyses” reports. The table, which follows, presents this information:

**Reporting**

	<b>University of Pittsburgh</b>	<b>University of Nebraska, Lincoln</b>	<b>University of Virginia</b>	<b>Indiana University (Indianapolis)</b>
Are there periodic reports/analysis conducted regarding the number and amount of contract change orders? If yes, who is responsible for preparing these?	No	No	No	No
Is your procurement staff responsible for conducting annual “spend analysis” reports to identify potential areas for consolidated purchasing and/or items for which bids should be issued?	Yes	Yes	Yes	Yes

Important points to note about the data above include:

- No universities conduct periodic reports or analyses regarding the number of contract change orders.
- All respondents conduct annual “spend analyses” reports to identify potential areas for consolidated purchasing and/or items for which bids should be issued.

For reporting, all universities responding to this survey responded with similar answers. The project team also evaluated numerous universities’ purchasing department’s websites. The section that follows discusses the results of the analysis of the universities’ websites.

**9. WEST VIRGINIA UNIVERSITY’S PURCHASING AND PROCUREMENT DEPARTMENT’S WEBSITE CAN BE ENHANCED TO PROVIDE A BETTER LEVEL OF SERVICE TO VENDORS AND USERS.**

The table below evaluates numerous university websites on a variety of features. West Virginia University’s Purchasing and Procurement Department’s website lacks many features that are offered at other universities and should be enhanced to provide a greater level of functionality. The table, which follows, identifies those features that are present on other websites.

<b>Website Review and Analysis</b>	<b>WVU</b>	<b>Indiana</b>	<b>Iowa State</b>	<b>Ohio State</b>	<b>Illinois</b>	<b>Penn State</b>	<b>UCLA</b>	<b>Michigan</b>	<b>Nebraska</b>	<b>UNC</b>	<b>Pittsburgh</b>	<b>University of Virginia</b>	<b>Washington</b>
Staff Contact Information	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Staff Responsibilities Listed	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No	Yes	No
Procurement Rules	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Guidance on common procurement functions	No	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Listing on current open contracts	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Vendor Registration can be completed on-line	Yes	Yes	Yes	Yes	No	Yes	No	No	Yes	No	No	Yes	No
Listing of current bids	No	Yes	Yes	No	No	No	Yes	No	Yes	No	No	Yes	No
Listing of current RFP opportunities	No	No	Yes	No	No	No	Yes	No	Yes	No	Yes	Yes	No
Bids can be submitted electronically	For small construction only.	No	No	No	No	No	No	No	No	No	No	Yes	No
Common forms available	No	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes
Vendor evaluation tools	No	No	No	No	No	No	No	No	No	No	Yes	No	Yes
FAQs	No	Yes	Yes	No	Yes	Yes	No	No	No	No	Yes	No	Yes

Important points to note in the table, above, include:

- Approximately 92% of the websites evaluated provide staff contact information.
- Two-thirds, 67%, of the websites evaluated provide staff responsibilities.

- All of the websites evaluated include procurement rules.
- Three-quarters, 75%, of the websites reviewed include guidance on common procurement functions.
- Approximately 83% of websites reviewed include listings on current open contracts.
- Half, 50%, of the websites reviewed include vendor registration that can be completed on-line.
- Approximately 42% of websites reviewed include a listing of current bids.
- Approximately 42% of the websites reviewed include a listing of current RFP opportunities.
- Only 8% of the websites reviewed allow for the electronic submission of bids.
- Three-quarters, 75%, of the websites reviewed make common forms available online.
- Approximately 17% of the websites reviewed contain vendor evaluation tools.
- Half, 50%, of the websites reviewed have a frequently asked questions section.

Based on the review of other websites, West Virginia University's Purchasing and Procurement Department's website can be enhanced to provide a greater level of service to the vendor community. It should be noted that some services on the WVU website are available following vendor registration and/or or the University's intranet. However, many of the functions listed should be available on the main pages of the website for ease of access.

The detailed responses from each university that responded to the survey are contained in Appendix A of this report.

**Recommendation: The WVU website should be expanded to provide greater purchasing information and functionality.**

## **4. BEST MANAGEMENT PRACTICES**

## **4. BEST MANAGEMENT PRACTICES**

A significant component of the purchasing performance audit is the evaluation of existing practices against “best management practices”. In order to make assessments of operational strengths and improvement opportunities, the project team developed a set of performance measures that we call “best management practices” against which to evaluate these processes. These performance measures comprise the main thrust of this diagnostic assessment.

The measures utilized have been derived from the project team's collective experience and represent the following ways to identify departmental strengths as well as improvement opportunities:

- Statements of "effective practices" are based on the study team's experience in evaluating operations in progressive procurement operations and / or “industry standards” from recognized procurement associations and research organizations.
- Identification of whether, and how, the procurement practices in place at West Virginia University meet the performance targets.

The purpose of the diagnostic assessment was to develop an overall assessment of procurement policies and practices. The following points summarize the key findings of the project team relative to existing strengths and opportunities for improvement. Attached, as appendix B, is the detailed assessment for each best management practice.

**1. THERE WERE NUMEROUS STRENGTHS NOTED IN THE PURCHASING FUNCTIONS AT WVU.**

The project team identified numerous positive aspects of the current procurement functions in place at WVU. The key strengths identified are summarized in the following points:

- A comprehensive purchasing manual has been adopted by the WVU Board of Governors to guide University purchasing practices. The manual has been updated within the last 2 years and contains clear delineation of authority levels and outlines ethical procurement practices. The manual outlines appropriate procurement methods for various types of purchases.
- Periodic procurement meetings are held with departments to make them aware of changes in procurement practices and to answer questions regarding compliance with procurement regulations.
- Periodic vendor training is provided to acquaint potential vendors on how to do business with the University. Procurement staff participates in regional small business meetings. The purchasing manual outlines procedures for vendors to utilize if they desire to file an appeal to a purchasing decision.
- All contracts entered into for purchasing goods and services are done on forms approved by legal counsel.
- A clear and defined policy is in place regarding p-card utilization and includes appropriate and inappropriate utilization practices. Purchasing card activities are routinely audited by the State and by University staff.
- Vendor registration is available on-line through the WVU website.
- The University utilizes common and system-wide computer systems for conducting purchasing functions. User departments can inquire on the Oracle system to determine purchase requisition status.
- WVU has developed a “best of class” approach to conducting small construction purchases online. This system provides vendor pre-certification (master contracting), notification and dissemination of bidding opportunities electronically, the submission of bids electronically, and online notification of contract award.
- Similarly, WVU has developed a “best of class” project management system for on-line and electronic management of construction projects. This program should continue to be developed and given high priority.

- Appropriate internal controls are in place within the procurement and payment system to prevent payments from being made that would exceed authorized contract amounts.
- The University has developed a sole source policy and form to ensure the appropriate utilization of sole source purchasing. Sole source purchases must be approved by Procurement staff based upon established criteria.
- Procurement maintains all construction and service contracts in excess of \$25,000 and copies are provided to the State as required.
- Procurement files are maintained in a comprehensive and thorough manner.
- Procurement staff is involved in the development of University-wide contracts to provide centralized access to commonly utilized services and goods. These efforts are undertaken to provide “best value” to the user departments.
- Procurement staff is in the process of implementing SciQuest, a system that will make available, through a central source, purchasing of commodities off established contracts. This system will enable the reduction in utilization of purchasing cards, increase the availability of business intelligence, and enable payments to be made immediately upon receipting.
- Procurement staff utilize indefinite demand and indefinite quantity contracts on a qualification basis to increase purchasing speed and effectiveness for user departments.

These strengths provide a strong foundation for addressing the opportunity for improvements noted in the following section.

## **2. THE BEST MANAGEMENT PRACTICES REVIEW IDENTIFIED SEVERAL OPPORTUNITIES TO IMPROVE THE PROCUREMENT FUNCTIONS AT WVU.**

The best management practices review also identified several opportunities for improvement. These are outlined in the following points:

- Some confusion remains regarding the controlling authority for purchasing actions at WVU. While the Board of Governors has adopted a purchasing manual, there is still legal confusion on whether this supersedes purchasing guidelines issued by the State. This confusion must be clarified by legal staff.
- Following the clarification of legal authority, the purchasing manual should be reviewed and updated over the next year to eighteen months.



- An ongoing staff development program for all procurement staff should be developed and implemented to provide skills enhancement.
- Procurement staff should be assigned as liaisons for specific departments to assist them with purchasing questions. Rather than having departments responsible for determining which buyer to contact (based upon the commodity code of the purchase), they should have a single point of contact.
- A comprehensive “How To Do Business with WVU” guide should be developed and provided to potential vendors on the University’s website.
- Additional vendor training programs should be implemented – especially to assist smaller and local vendors in navigating the procurement process.
- An ongoing vendor survey system should be developed and put into place to provide ongoing feedback from vendors regarding satisfaction with procurement services.
- A vendor evaluation system should be developed and put into place to track vendor performance. Procurement staff should provide training and guidance to departmental staff on how to effectively evaluate and deal with problematic vendors.
- The weekly and monthly reports developed by procurement staff regarding p-card utilization should be more fully utilized.
- Efforts should be made to limit utilization of p-cards for certain transactions such as inter-departmental transfers and large recurring payments.
- A coordinating mechanism should be put into place to review non-competitively awarded contracts that are given to vendors in an effort to limit the number awarded to the same vendor from different departments. This is a critical issue to maintaining compliance with the State requirements that purchases in excess of \$25,000 should be competitively bid.
- The current software in place is not utilized for producing electronic purchasing orders or electronic payments. It is recognized that electronic payments are not controlled by WVU action.
- On-line services should be enhanced to include:
  - Access to the procurement manual.
  - Electronic submission of RFQ processes.

- Full implementation of Sci-Quest to make established contracts for commodities available online.
- Electronic signature authority should be developed and implemented to enable greater utilization of on-line services.
- The project management dashboard should continue to be developed to enable more online services and project management.
- Ongoing spend analysis and procurement reports should be developed that enable staff to better evaluate procurement actions including identification of additional opportunities for developing University-wide contracts, conducting spend analysis, and identification of potential purchase order stringing. Available business intelligence is limited to some extent due to high use of p-cards and the inability to retrieve purchase details from these transactions.
- The software should be modified to provide for easier and more detailed tracking of special procurement actions (such as sole source purchases, emergency purchases, etc.).
- Departments should be required, as part of their submission in support of a sole source purchase, to provide copies of the relevant sections of any applicable research grants or contracts.
- WVU should implement a “best pricing” clause within sole source purchase orders to assist in obtaining better pricing.
- A vendor evaluation system for construction contracts should be established.
- A comprehensive listing of University-wide contracts should be developed and these contracts made available on the University’s website for use by departmental staff. In addition, greater education of departmental staff should be conducted to make them aware of available cooperative purchasing opportunities.
- A more focused compliance monitoring function should be established within the Procurement Division with clearly assigned responsibility to a specific individual within the vendor relations unit.
- Additional staff support should be provided to those individuals in buyer functions to provide them additional time to spend on the “high value” procurement responsibilities rather than clerical functions. This is especially critical in the construction contracting arena.

While several opportunities for improvement have been identified, the existing policies and practices coupled with the previously identified strengths provide a strong foundation for the Department to make necessary changes to implement these recommendations.

### **3. REVIEW OF THE WEST VIRGINIA UNIVERSITY'S PROCUREMENT CARD PROGRAM.**

This section presents a review of West Virginia University's (WVU) procurement card program. The project team reviewed existing policies and procedures utilized by WVU with respect to procurement cards (p-cards), conducted an audit of the internal control procedures relating to ensuring compliance of use of p-cards, and reviewed a twelve-month period of data to identify opportunities for improvement. Given the high volume of funds processed through p-cards in a fairly decentralized approach, we have addressed this area separately from other compliance issues.

#### **(1) Summary of Procurement Card Policies and Procedures.**

This section provides a review of West Virginia University's policies and procedures relating to the administration of the University's procurement card program. WVU has three staff assigned to the Procurement Card Administration unit. P-card Administration staff are responsible for the following:

- At the request of University departments, receive and process new applications, including verify cardholder eligibility, ensure completion of online training, issue card, etc.
- Provide support to University Departments and staff serving as DCCs – personnel at the department level who coordinate p-cards for their departments.
- Ensure department transactions have been verified and approved by departments in sufficient time to upload data.
- Cancel and destroy procurement cards as appropriate.

- Process requests for changes in card limits.
- Troubleshoot problems, as well as work with credit card companies and departments to resolve issues.
- Conduct transaction audits to ensure compliance with procurement policies (e.g. dollar limits on transactions, no payment of sales tax, no inappropriate purchases, etc.)

The points, which follow, present the project team's observations of key elements of WVU's p-card program developed from interviews with key personnel, as well as a review of WVU's policies and procedures.

- There are two fulltime equivalents assigned to administer the p-cards – one each assigned to the State and Research Corporation's p-card programs.
- There is one fulltime equivalent assigned to auditing p-card transactions on a weekly basis. Transaction audit results are provided to the Unit's supervisor for review.
- WVU has developed a p-card internal controls document, which presents the segregation of duties, roles and responsibilities of key personnel in WVU who monitor p-cards and ensure compliance.
- WVU's Procurement Services' Procurement Rules manual presents a brief discussion of p-cards as they relate to the procurement of goods or services in an emergency situation.
- University departments determine who is eligible for a procurement card, as well as the employee's daily purchase and credit card limit.
- University departments can request temporary limit increases in order to pay specific bills. This sometimes occurs on a periodic basis (e.g. routine or repetitive payments).
- There is a significant number of transactions occurring on p-cards resulting in a high dollar volume (i.e. over \$60 million annually).
- P-cards are used to purchase small, one-time purchases, as well as to pay for essential services, purchase of goods and services for which there is an existing contract, ongoing monthly payments, intra-University transactions, etc.

Overall, West Virginia University utilizes procurement cards extensively for numerous transactions, resulting in significant dollar volumes on an annual basis.

**(2) Key Findings and Recommendations Regarding the Procurement Card Program.**

This section summarizes the key findings and recommendations relative to West Virginia University's oversight and administration of the procurement card program. Overall, this program has greatly reduced the volume of purchase orders processed, and greatly enhanced the speed at which individual Departments are able procure commodities in a decentralized fashion. Appendix C contains the detailed analysis and methodology utilized in the procurement card program review.

The following table summarizes the recommendations that were developed to enhance the procurement card program administration and oversight:

<b>PROCUREMENT CARD PROGRAM RECOMMENDATIONS:</b>
P-card administration staff should continue to perform transaction audits on an ongoing basis and should also expand the sample period of transactions to identify patterns over longer periods of time, including monthly, quarterly and annually. This will better enable staff to determine patterns of use, misuse and abuse in the procurement card program.
The P-card administration staff should develop a formal, written policy and audit program that outlines the process for auditing transactions and clearly delineates departmental responsibilities and responsibilities of WVU Procurement staff.
Procurement Services should develop a process by which transactions flagged for noncompliance are investigated. Results of each investigation should be thoroughly documented, including findings, resulting consequences and actions. P-Card Administration should also develop performance reports to be provided to the Unit's supervisor, as well as Procurement Services management team.
Procurement Services should create and conduct ongoing spend analyses to ensure that the University is maximizing competitive bidding opportunities.
Procurement Services should develop policies to promote the use of negotiated contracts on items such as travel (e.g. hotel brands, rental car agencies, etc.), office supplies, hardware supplies, cell phones, etc.

<b>PROCUREMENT CARD PROGRAM RECOMMENDATIONS:</b>
Procurement Services should expand the procurement card audit function to include periodic audits of transactions to ensure use of negotiated contracts and relevant discounts, including State negotiated rates, etc.
Procurement Services should develop a policy governing the use of blanket purchase orders for frequently used vendors (e.g. office supplies stores, book stores, food / beverage vendors) and / or routine payments, such as utility bills, cell phones, newspaper subscriptions, etc.
Procurement Services should reduce the use of procurement cards for intra-University transactions and establish intra-University fund transactions and / or internal blanket purchase orders.

The implementation of these recommendations will provide an enhanced level of oversight of the procurement card program and provide a greater level of ongoing compliance review. In the limited cases where there are recommendations to limit the utilization of p-cards for payment, it is done with a focus on increasing the level of business intelligence, transferring recurring payments to purchase orders, and / or to eliminate the payment of transaction fees for internal payments.

## **5. SUMMARY OF COMPLIANCE REVIEW**

## 5. SUMMARY OF COMPLIANCE REVIEW

This chapter summarizes the project team's findings related to the major areas of compliance inquiry. Specific discussion and recommendations are contained in the sections following the initial summary for those areas where specific comments are noted.

The project team utilized various data sampling and file review methodologies in the development of the conclusions reached regarding compliance with established procedures and internal controls required within the procurement function.

### 1. COMPLIANCE TESTING GENERALLY FOUND THE DEPARTMENT IN CONFORMANCE WITH REQUIREMENTS IMPOSED BY EITHER STATE LAW AND/OR WVU PURCHASING MANUAL.

In recognition of the requirements placed upon the procurement department from State laws and regulations and the WVU Board of Governors' policies, the project team reviewed various areas for internal compliance through several testing methodologies.

The following table outlines the findings relative to the compliance issues reviewed:

Compliance Issue	Process Utilized	Result / Finding
CPO Designation and performance of assigned duties in accordance with the CPO's responsibilities as outlined in West Virginia University Board of Governors' adopted purchasing manual.	Reviewed WVU purchasing manual adopted by the Board of Governors' and implemented by the CPO.  Reviewed procurement practices in place at WVU for conformance to adopted rules / regulations.	No relevant findings noted.



<b>Compliance Issue</b>	<b>Process Utilized</b>	<b>Result / Finding</b>
Review of delegated authority to Buyers by CPO.	Reviewed duties performed by buyers for conformance with responsibilities and duties defined in applicable regulations and purchasing manuals.	No relevant findings noted.
Review of buyer's minimum qualifications.	Reviewed educational background and experience of individuals assigned as buyers.	No relevant findings noted. Buyers possessed requisite education and/or years of experience for duties.
Are the provisions of the WVU Board of Governors' Policy and Purchasing Manual being followed for purchases in the following categories: 1. Under \$5,000. 2. Greater than \$5,000, but under \$25,000. 3. Greater than \$25,000.	Reviewed purchase orders, direct pays, and p-card transactions to determine compliance.	No relevant exceptions noted (other than those minor observations, noted elsewhere in this report, relative to sole source documentation and p-card transactions).
Have institutional guidelines and procedures for purchases of \$5,000 and less been established as required by purchasing manual.	Reviewed policies and procedures established by the Board of Governors and the Procurement staff relative to small purchases.	No relevant findings noted. A small purchases policy has been adopted and implemented.
Are requirements of the Board of Governors' Purchasing Manual being followed	Reviewed selected purchasing orders, direct pays, and p-card transactions for compliance with purchasing manual requirements.	No relevant exceptions noted.
Review selected transactions for compliance with the Prompt Payment Act.	Reviewed selected invoice payments for compliance with the State of West Virginia's Prompt Payment Act procedures.	No significant exceptions noted. However, testing noted that limited numbers of invoices are held for extended time periods at Procurement Department level for reconciliation of problems rather than returning invoices to department and/or vendor.
Review selected purchase order file for compliance with purchasing manual requirements and appropriate documentation.	Reviewed selected purchasing order files.	No relevant exceptions noted.

<b>Compliance Issue</b>	<b>Process Utilized</b>	<b>Result / Finding</b>
Review selected purchase orders for construction contracts for compliance with purchasing manual requirements and appropriate documentation.	Reviewed selected construction contract purchase order files.	No relevant exceptions noted.
Review selected special purchase orders (i.e. sole source) for compliance with purchasing manual requirements and appropriate documentation.	Reviewed selected sole source purchase order files.	No significant exceptions noted. However, some supporting documentation, relative to the sole source decision, was missing in a limited number of files. In one case, no sole source form was present (approval granted through signature of memo).
Review of bid documentation for compliance with date and time stamping of received proposals.	Reviewed selected bid documentation files for necessary time stamps.	No relevant exceptions found. In a few cases, time and date stamps were placed on post-it notes attached to files.

As noted in the table above, WVU procurement practices and policies were generally found to be in substantial compliance with the requirements imposed on them by either State law and/or the purchasing manual adopted by the WVU Board of Governors. The following minor points outlined findings where improved practices would improve compliance:

- **Prompt Payment:** While no significant concerns were noted regarding compliance with the State of West Virginia's Prompt Payment Act, observed practices noted that some invoices are held in Procurement for clarification of problems with invoices (vendor name doesn't match purchase order vendor name, quantities or shipping costs vary from purchase order amounts). While these issues were followed up by procurement staff, in selected cases invoices should be returned to vendor for correction (or notification to vendor made) to ensure that vendor is aware of the reason for payment delay.
- **Sole Source Purchases:** A review of selected sole source purchases identified no significant non-compliance issues in terms of inappropriate utilization of sole source purchases. However, some documentation regarding sole source purchases was not located in the purchase order files. While reference was made within the file of the documentation, actual documentation was not located

to support the sole source form that was approved. In one case, a sole source approval was authorized by signature on a memorandum rather than approval on the sole source form.

- **Time Stamping of Bids:** The review of bids received in response to RFPs showed substantial compliance with the requirement that all responses be time and date stamped upon receipt. However, in at least one case, the time and date stamp was placed on a post-it note that was not permanently attached to the bid. All time and date stamps should be made either on actual bid documents submitted or otherwise permanently attached to the submission.

**Recommendation:** All contested invoices should be centrally logged noting deficiency of the invoice and the action taken. Vendors should be promptly notified of the deficiency or cause of delay in processing to prevent concerns relative to compliance with the Prompt Payment Act.

**Recommendation:** Additional efforts should be made to ensure that all supporting documentation relative to sole source purchases is filed in the purchasing order file.

**Recommendation:** All date and time stamping of bids received should be done in a manner that makes it a permanent part of the bid documentation.

## **APPENDIX A**

Question	Response	Response	Response	Response
<b>Contact Information</b>				
<b>Name of Community:</b>	<b>University of Pittsburgh</b>	<b>University of Nebraska, Lincoln</b>	<b>University of Virginia</b>	<b>Indiana University Purdue University Indianapolis</b>
<b>Respondent's Name and Title:</b>	Thomas Youngs, Manager, Purchasing Services	Gary Kraft, Director of Purchasing	John McHugh, University of Virginia	Claudette Canzian, Associate Director,
<b>Email address:</b>	<a href="mailto:tyoungs@bc.pitt.edu">tyoungs@bc.pitt.edu</a> <a href="#">u</a>	<a href="mailto:GKraft2@unl.edu">GKraft2@unl.edu</a>	<a href="mailto:Jm7v@virginia.edu">Jm7v@virginia.edu</a>	<a href="mailto:ccanzian@iupui.edu">ccanzian@iupui.edu</a>
<b>Phone Number:</b>	412-624-8785	402-472-3609	434-924-4214	317.274.7405
<b>ORGANIZATIONAL AND WORKLOAD DATA</b>				
<b>Number of Undergrad Students:</b>	22,000	20,000	13,500	25,000
<b>Number of Employees at University:</b>	12,000	5,500	11,000	6,000
<b>Number of staff assigned to Purchasing Department by classification (if you have an organizational chart, please feel free to attach in lieu of completing this section):</b>	<b>Number of Staff:</b>	<b>Number of Staff</b>	<b>Number of Staff: 14</b>	<b>Number of Staff: 13</b>
<b>Total Employees in Procurement:</b>	23	15	45 (Includes Accounts Payable, Surplus, Loading Dock, Facilities and Support)	17
<b>Administration / Managers:</b>	2	2	7	2

<b>Buyers:</b>	13	8	9	1
<b>Contract Managers:</b>	0	0	Buyers are contracts managers	5
<b>Accounts Payable Staff (if included):</b>	N/A	0	12	0
<b>Support Staff:</b>	3	3	N / A	10
<b>Other: (please list title and # of positions):</b>	2 student emp, 3 IT	2 Inventory	0	0
<b>The following data should be presented for the last full fiscal year (if possible):</b>				
<b>Number of Requisitions Processed:</b>	2500 in Purchasing, 80,000 in depts	N / A	5900	53,259
<b>Number of Purchase Orders Issued:</b>	2500 in Purchasing, 80,000 in depts	6000	5900	94,820
<b>Number of P-Card Transactions:</b>	45,000	75000	60,000	22,048
<b>Number of Invoices Processed:</b>	107,000	N / A	130,000 on PO invoices	220,000
<b>Total \$ Processed by Department:</b>		\$192 million	\$135 million	\$198 million
<b>Total \$ Processed on Purchase Orders:</b>	\$223 decentral, \$145 central (millions)  \$22 e-pro	\$64 million	\$135 million	\$195 million
<b>Total \$ Processed on p-cards:</b>	\$12 million	\$18 million	\$18 million	\$4 million

<b>Total \$ Processed on direct pay invoices:</b>	N / A	110,000,000	130,000 on direct entry invoices (payment voucher)	\$26 million
<b>ORGANIZATION AND AUTHORITY LIMITS</b>				
<b>Does your organization have a centralized procurement office?</b>	Yes	Yes	Yes for restricted purchases. Departmental limit is \$5,000	Yes
<b>Are staff in operating departments able to directly purchase goods, services or enter into contracts without utilizing the central procurement office? If yes, under what limitations?</b>	Yes, most under \$5K, some have higher authority	Contracts less than \$5K. E-orders to prime vendors	Yes up to \$10,000	They are able to purchase up to \$1,000
<b>Are you able to enter into service contracts without bidding? If yes, what are the requirements for doing so, and who is authorized to enter into these contracts?</b>	Yes, sole source; less than \$5K by departments with std T's and C's, others by Purchasing with Purchasing Manager's approval	Yes. Regents' policy does not require competition for professional services. Purchasing, however, does encourage competition if possible	Yes. \$5,000 competition limit applies. Director for Procurement Services signs contracts	Yes, if they are directly with the manufacturer or if they are under the \$5K threshold for bidding. Only purchasing Contract Managers can authorize or sign agreements.
<b>Under your current procurement policy, what are the dollar limits for approval of purchases placed on the following positions/management levels?</b>	<u>Able to approve purchases up to:</u>	<u>Able to approve purchases up to:</u>	<u>Able to approve purchases up to:</u>	<u>Able to approve purchases up to:</u>
<b>Department Director</b>	N/A	\$400,000 Purchasing Director	\$5 million Director	No limit

<b>Division Manager</b>	N/A	\$75,00 Buyer	\$500,000 Assistant Director	No limit
<b>Procurement Officer</b>	N/A	N/A	\$300,000 Procurements Manager	No limit unless not the low bid or contract.
<b>Other:</b>	N/A	N/A	200,000 Senior Buyer	Purchases that are not low bid and in excess of \$25K are reported to the board of trustees as an FYI
	N/A	\$5,000 Ordering Department	\$100,000 Buyer Specialist	N/A
	N/A	N/A	\$50,000 Expeditior	N/A
<b>Is the procurement office responsible for auditing p-card transactions?</b>	No, Payment Processing Dept	No	Yes	No, the Accounting Department audits them, and if there are problems, they notify us and action is taken
<b>Are check payments processed by and issued by the University or by another entity (i.e. State)?</b>	University	State	Yes	University
<b>Are your purchasing policies developed by the University or outlined in State Statute?</b>	University	Regents Policy	Both.	University



<b>TECHNOLOGY UTILIZATION</b>				
<b>What software system is utilized for the processing of purchase requisitions and purchase orders?</b>	Oracle and SciQuest	SAP	Sciquest and Oracle	EPIC - developed internally
<b>Does your organization utilize on-line or internet bid services for the following functions:</b>	<u>Yes or No (with description as necessary)</u>	<u>Yes or No (with description as necessary)</u>	<u>Yes or No (with description as necessary)</u>	<u>Yes or No (with description as necessary)</u>
<b>Electronic distribution of bid documents</b>	N / A	On purchasing website	Yes	No
<b>Electronic Receipt of RFP or bid submissions</b>	N / A	No	Yes	Yes
<b>Posting bid or RFP tabulations</b>	N / A	No	Yes	No
<b>Distribution of a “how to manual” for doing business with your organization</b>	No	In process	No	Yes
<b>Do you utilize electronic requisition forms for departments to place orders?</b>	Yes	Yes	Yes	Yes; the University system is paperless
<b>Does your organization utilize electronic distribution of purchase orders to vendors?</b>	No	Yes	Yes	Yes via a fax press
<b>Does your organization utilize electronic vendor payments?</b>	No	Yes	Yes	Yes; ACH

<b>POLICIES, PROCEDURES AND PRACTICES</b>				
<p>Please indicate the dollar threshold (or other requirements) that require the use of the following procurement methods:</p> <ul style="list-style-type: none"> <li>• Procurement Card</li> <li>• Informal Solicitation (Quotes)</li> <li>• Formal Solicitation (Bid/RFP/RFQ)</li> <li>• Sole Source Purchases</li> </ul>	N/A	<\$5K	\$5,000 informal	\$1,000
	N/A	>\$75K	\$50,000 formal	\$5,000
	N/A	>\$75K	N/A	\$10,000
	N/A	<\$5K	N/A	\$5,000
Does your organization utilize Purchasing cards?	Yes	Yes	Yes	Yes
If so, what limits do you impose on their use (i.e. who authorized to utilize, in what amount)?	N / A	Goods or service less than \$5,000. Any employee can have a card with Dept Chair/Director approval.	\$5,000 with same restrictions as LIPO	\$1,000 per transaction; \$10,000 per month total or smaller increments depending on the limits individual departments want on cards. Each card is unique in its limits as specified by their business office.
How many purchasing cards are issued to staff within your organization?	4	Approximately 3000	1400	650 at the Indianapolis Campus

<b>Are all purchases placed on purchase orders? If not, what are the requirements for when purchase orders are required? (i.e. type of purchase, dollar limit, etc.)</b>	Yes	Must use a PO if over \$5000 and not able to order direct electronically from a prime vendor contract	Yes, except for P-card and direct entry invoices	Yes, other than those on P-cards
<b>When entering into service agreements, what procedures do you utilize for selecting a vendor? (i.e. qualification based, pricing, etc.)</b>	RFP or sole source	Qualification based and price reasonableness	Qualifications	Try to keep local if possible. If it's a service that many can provide we bid it.
<b>Under what circumstances, if any, can you enter into a service contract without conducting a competitive process (bid, RFP, or RFQ)?</b>	Sole source	Regents' policy allows contracting for professional services without bidding.	Sole Source	Service agreement directly with the manufacturer
<b>Are there periodic reports/analysis conducted regarding the number and amount of contract change orders? If yes, who is responsible for preparing these?</b>	No	No	No. Departmental contract administrators are responsible for managing service contracts	No

<b>What limitations do you place on the utilization of sole source purchasing (i.e. what requirements must be met for eligibility)?</b>	Follow policy and submit required form	Almost all are research oriented for a particular purpose or match existing	Justification form provided, market survey and negotiation.	We have very few sole sources. Generally this would be in the medical or scientific equipment arena. The PI would submit a statement illustrating why they understand this to be a sole source and then the buying team would research this online and through their knowledge of the commodity to verify if this is valid. If it is over the \$25K threshold it is reported to the Board of Trustees.
<b>Who is responsible for approving sole source contracts (e.g. Procurement Department, Operating Department director, etc.)?</b>	Purchasing Dept	Director of Purchasing	Assistant director up to \$100,000 or director	Procurement Department
<b>When a sole source purchase is proposed, what is the process for verifying the justification for the sole source purchase?</b>	Review form	Research by the buyer	Form submitted with requisition	Procurement Department
<b>Does procurement review and verify the sole source justification documentation?</b>	Yes	Yes	Yes	Yes

<b>Is your procurement staff responsible for conducting annual "spend analysis" reports to identify potential areas for consolidated purchasing and/or items for which bids should be issued?</b>	Yes	Yes	Yes	Yes
<b>Do you have established contracts for the following services?</b> <ul style="list-style-type: none"> <li>• Office Supplies:</li> <li>• Travel Services (i.e. vehicle rental, airline, travel agent services):</li> <li>• Mailing Services (i.e. FedEx, UPS)</li> <li>• Furniture:</li> <li>• Other</li> </ul>	<p>Yes</p> <p>Some</p> <p>Yes</p> <p>Yes</p> <p>Scientific and Medical</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Scientific supplies and equipment, MRO, building trades, moving services. See our website for a complete list</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>We have 700 contracts in over 70 commodities</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>We refer to them as preferred vendors but are not exclusive. They can purchase from other vendors but will need to justify why they want to buy "off" the contracts that are established.</p>
<b>Do these established contracts provide exclusivity to the vendor or may employees choose to purchase from other vendors? If there is no exclusive arrangement, are there any specific requirements that must be met to purchase from a different vendor?</b>	Policy requires use of contracted suppliers.	Not exclusive, but have approximately 90% contract compliance.	No exclusive. Some primary. No requirement must be met.	N / A

**APPENDIX B**

**BEST MANAGEMENT PRACTICES**

<b>Performance Target</b>	<b>Strengths</b>	<b>Potential Improvements</b>
A comprehensive procurement policy has been developed and distributed to all staff outlining required practices in procuring goods, services, and construction services.	WVU has developed and distributed a comprehensive procurement manual for use by staff and departments.	Some confusion remains, on the part of dedicated procurement staff, which rules are “controlling” regarding certain procurement actions.
The procurement policy has been reviewed and revised within the last two years.	The procurement manual was last updated in April 2006.	A comprehensive review should be conducted over the next year to ensure that current practices are incorporated and clarity of requirements is addressed.
All key staff in procurement functions has attended required training on the WVU Procurement Policy. All new staff assigned to procurement functions are required to receive, review and attend training on the University's policy upon appointment.	Periodic procurement meetings are held with departments to update them on changes in procurement rules.	No ongoing staff training and development program has been developed for procurement staff.
The procurement policy outlines procurement authority levels by position title with increasing levels of authority based upon position level.	The WVU manual provides clear delineation of authority levels by position and function.	
The procurement policy contains an ethics section governing staff and vendor actions.	WVU's procurement manual contains a section outlining ethics in public procurement.	
The Procurement Division has published a “How To Do Business” Guide for vendors. The guide has been revised within the last three years.		No comprehensive how to guide is available on WVUs website for use by vendors in understanding how to provide good or services to the University.
Formal vendor training is offered annually to acquaint potential vendors on the University's policies and procedures.	Periodic vendor training has occurred in the past with vendors, specifically local vendors, to acquaint them with the University's requirements.	An annual training session should be implemented.
A customer survey has been conducted within the last three years to elicit feedback regarding WVU service levels and practices.		No ongoing vendor feedback is solicited on performance and satisfaction with procurement services.

<b>Performance Target</b>	<b>Strengths</b>	<b>Potential Improvements</b>
A policy is in place requiring periodic vendor evaluation and outlines criteria for designating a vendor as approved / disapproved regarding eligibility for continued business with the University.		No ongoing vendor evaluation system is in place.
Contracts entered into by WVU staff are either: <ul style="list-style-type: none"> <li>Reviewed prior to signing by University legal staff; or</li> <li>Within procedure guidelines where legal review is not conducted, based upon contract templates having received prior University legal approval.</li> </ul>	All contracts are prepared on form approved by legal counsel (either University legal staff and/or the State Attorney General). All changes to standard terms and conditions must have prior legal approval.	Policy manual and State regulations conflict regarding who is authorized to approve legal review.
The use of procurement cards is based upon a defined policy and procedure adopted by the University.	The University has a defined policy and procedure regarding procurement card utilization.	
Procurement card use is periodically audited by the University to ensure compliance with policies and procedures.	P-Card utilization is audited, both by the State Auditor and by the University. Procurement staff conduct ongoing review on a monthly basis of all p-card transactions to identify problem areas (i.e. stringing, misuse, attempt to exceed authority levels).	The weekly and monthly reports developed on p-card utilization are not fully utilized. In many cases, the project team identified potential issues that were identified, but not followed up with clarification / resolution.



<b>Performance Target</b>	<b>Strengths</b>	<b>Potential Improvements</b>
Utilization of p-cards is well defined regarding the types and number of services that may be paid for through the p-cards.	The University's policy provides clear guidance on the services that may be paid through p-cards.	<p>The volume of purchasing processed on p-cards is a significant proportion of the total purchasing volume of the University (approximating 50%). There are many routine payments, invoices that could be handled through other payment methods.</p> <p>P-cards are often utilized to achieve a goal of "eliminating" paperwork associated with payments. In reality, the paperwork is shifted from one unit to another with a resulting potential internal control issue regarding documentation and oversight.</p>
Procurement Services maintains a master listing of authorized purchasers for each department with designated authority level.	Procurement staff maintains a comprehensive listing of authorized users.	
All changes in designated users (addition of new staff, termination of existing staff) are communicated within 24 hours to Procurement by the appropriate department.	Departments are responsible for notifying procurement staff of all changes in designated users for p-cards and for approval / authorization of purchase requisitions.	While direct notification does not always occur by departments within specified time frame, alternative measures have been implemented to ensure authority levels and approval authority are promptly handled.
Guidelines have been developed to limit the number and dollar amount of non-competitively bid contracts that can be awarded to a single vendor.	Procurement has access to information regarding all contracts awarded to enable periodic review and analysis.	No coordination mechanism is in place to provide a review of non-competitively awarded contracts to a single vendor. Given authority levels that can be approved at department level, multiple awards can be made to the same vendor.
A written appeal procedure is in place for non-selected vendors.	The procurement manual provides direction and guidance regarding the filing and processing of appeals in Section 7.	

<b>Performance Target</b>	<b>Strengths</b>	<b>Potential Improvements</b>
The University's policies and procedures outline the process, guidelines and criteria to be utilized in making a determination regarding the appropriateness of executing a contract extension versus conducting a new solicitation.	Clear compliance guidelines are provided in the manual outlining the basis on which decisions to award should be made.	
The Procurement Division serves as the centralized procurement authority with responsibility and authority to oversee all University purchasing and review of compliance with established policies and procedures.	The University's Procurement Division serves as the centralized procurement entity and is charged with not only the processing of purchasing actions but the duty to ensure compliance with established policies and procedures.	
Procurement authority delegated to departments is audited annually by the Procurement Services Division to ensure compliance with University policies and procedures.		No ongoing procurement audit is done of delegated purchasing authority; however, p-card transactions are reviewed. Procurement services is involved in all purchase orders processed.
Procurement Services is responsible for maintaining a centralized listing of registered vendors.	Vendor registration is available online and the University maintains a centralized registry of registered vendors.	
WVU utilizes a common procurement software system across all departments.	The University utilizes common software systems for all component units and departments – Oracle.	Some functions performed by Procurement staff are duplicated in two systems – the University's system and the State Financial Management Information system.
<p>The automated financial system utilized for procurement contains the following elements / functionality:</p> <ul style="list-style-type: none"> <li>• Approved vendor database.</li> <li>• Ability to enter and approve purchase requisitions electronically.</li> </ul>	<p>Both systems maintain vendor data and information. The State system is utilized as the official vendor registration system.</p> <p>Purchase orders are entered and approved electronically.</p>	

Performance Target	Strengths	Potential Improvements
<ul style="list-style-type: none"> <li>Ability to issue electronic purchase orders.</li> <li>Ability to make electronic payments to vendors either directly or through an interface with the accounts payable module.</li> <li>Ability for user agencies to query the system for up to the minute information regarding purchase requisition / purchase order status.</li> <li>Ability for departments to electronically notate receipt of purchase goods and authorize payment.</li> </ul>	<p>User departments are able to query the procurement module to determine current status of the purchase requisition / order.</p> <p>All receipting is done electronically and must be completed prior to any payments being processed.</p>	<p>The current system does not have electronic purchase order capabilities functioning.</p> <p>Electronic payments (other than p-card) are not permitted due to State requirements and the need to utilize the State Auditor's office for all payments.</p>
<p>WVU has utilized the internet homepage to provide the following services:</p> <ul style="list-style-type: none"> <li>Access to WVU procurement policy.</li> <li>Online electronic vendor registration</li> <li>Online interactive request for quotation (RFQ) process.</li> <li>Online posting and distribution of formal solicitations (IFB, RFQ, RFPs).</li> </ul>	<p>Vendors are able to register to do business with the University online.</p> <p>Online posting of bid information is available to registered vendors.</p>	<p>The procurement manual is not available online for vendor utilization.</p> <p>At the present time, electronic RFQ processes are not available.</p> <p>Plans are underway to implement enhanced electronic purchasing efforts (SciQuest) that will enable user departments to query multiple contracts for pricing data and purchase of goods.</p> <p>Unless a vendor is registered, access to online information is limited.</p>

<b>Performance Target</b>	<b>Strengths</b>	<b>Potential Improvements</b>
<ul style="list-style-type: none"> <li>Email notification of posted formal solicitations to all registered vendors.</li> <li>Receipt of formal bids and proposals electronically</li> <li>Posting of bid tabulation results following opening.</li> <li>Posting of award notifications online.</li> </ul>	<p>For registered vendors, selective email notification of purchasing opportunities is available.</p> <p>In the small construction contracting area, extensive utilization of email notification is conducted.</p> <p>In the small construction contracting area, formal bids and proposals are accepted, tabulated and processed entirely on-line.</p> <p>Bid tabulations are posted electronically following opening for all proposals received electronically.</p>	<p>Except as noted, formal bidding and proposals are not accepted electronically.</p>
<p>Staff involved with procurement is able to view historical purchases online to evaluate current bids, proposals, and quotations against prior purchase experience.</p>	<p>Buyers have access to a full complement of historical information for use in evaluating current bids, proposals and quotations on current bids.</p>	
<p>Access to vendor maintenance files is limited to designated procurement staff.</p>	<p>Vendor management is assigned to specific individuals within the Department.</p>	<p>For the State FMIS system, vendor maintenance files are available to other user agencies in addition to WVU.</p>
<p>Appropriate internal controls are in place within the procurement system to generate reports or flag actions where:</p> <ul style="list-style-type: none"> <li>Total purchase expenditures for common services and/or goods across multiple departments exceed established approval levels.</li> <li>Identification of requested payments that would exceed authorized contract or purchase order limits.</li> </ul>	<p>The invoice and payment reviews conducted prior to payment prevent payments from being processed that would exceed the authorized contract limits. Additionally, requests for payments received outside of the contract time period are not permitted without contract modification.</p>	<p>Currently reports are not generated to identify purchases that exceed pre-determined levels to identify potential opportunities for University-wide contracts.</p>

<b>Performance Target</b>	<b>Strengths</b>	<b>Potential Improvements</b>
<ul style="list-style-type: none"> <li>Contract amendments or change orders exceed a pre-determined percentage of the original authorized amount.</li> <li>Multiple stand-alone purchase orders with the same vendor are entered into by departments.</li> </ul>	Contract amendments and change orders are reviewed individually for each contract to determine appropriateness.	No requirement is in place that amendments or change orders exceeding a particular threshold have additional review. Current reports do not identify potential stringing issues with purchase orders.
A sole source policy has been developed and/or reviewed within the last three years.	The University has, within its purchasing manual, a defined sole source policy.	
The sole source policy outlines the acceptable reasons for utilizing a sole source purchasing arrangement.	<p>The following reasons are clearly outlined for approval of sole source purchases:</p> <ul style="list-style-type: none"> <li>a. Where the compatibility of equipment, accessories, or replacement parts is the paramount consideration;</li> <li>b. The item cannot be obtained through ordinary purchasing procedures and methods;</li> <li>c. The item is available from a State spending unit or other institution with preference under West Virginia Code; and</li> <li>d. Where specific and unique items are called for on a grant or contract.</li> </ul>	
All departments are required to follow the University's approval for sole source contracts.	All University departments must follow the sole source requirements. The Chief Procurement Officer, or designee, must sign off on all forms prior to processing.	
There is a clear policy in place for addressing violations of the sole source contract policy, including disciplinary actions.		The policy does not provide a clear indication of the ramifications of violations of the sole source policy.
There is a standard form utilized by departments for requesting sole source contract approval.	A single sole source purchase form has been developed by the Procurement Division for use by all departments.	

<b>Performance Target</b>	<b>Strengths</b>	<b>Potential Improvements</b>
<p>The sole source contract justification form asks for sufficient detail for Procurement Services Division to make an assessment of the justification. Questions are asked such as:</p> <ul style="list-style-type: none"> <li>• How did you arrive at the conclusion this item represents your minimum need or requirement? Is this a "nice to have" with all the "bells and whistles" or does it really represent your requirement or minimum need?</li> <li>• How did you determine availability? Did you check on prior procurements for the same or similar items?</li> <li>• Are there other sources? Are they responsible? Are identical or compatible parts or equipment available from any other source?</li> <li>• Who prepared the specification or statement of work? Did a vendor or contractor assist? If so, will they benefit somehow by the decision to proceed with a sole source contract?</li> </ul>	<p>Sufficient detail is requested in order for procurement staff to evaluate the purchaser's compliance with the sole source purchase guidelines.</p>	<p>Varying levels of detail are provided in the documentation and department completion of forms varies in the depth and level of information submitted.</p> <p>In selected cases reviewed, not all documentation regarding sole source discussions appeared in file.</p>
<p>All sole source purchases are reviewed by Procurement Services Division and approved prior to entering into a purchase agreement.</p>	<p>The Chief Procurement Officer, or his designee, must sign all sole source forms prior to the issuance of a purchase order.</p>	<p>Methods should be established to increase tracking of sole source purchases, and denials, for business intelligence on purchasing practices to be developed.</p>
<p>The Procurement Services Division has sufficient time and resources in reviewing sole source requests to ensure that other vendors and/or sources for the good/service are not available and/or that a level of standardization is required that prevents other suppliers from being utilized.</p>		<p>Depending upon the procurement, the low level of information and technical knowledge required to evaluate the appropriateness of the sole source purchase makes it difficult for procurement staff to determine compliance.</p> <p>Research and grant regulations and limitations also impact sole source purchases.</p>

<b>Performance Target</b>	<b>Strengths</b>	<b>Potential Improvements</b>
Departments provide research and backup documentation in writing justifying sole sourcing (e.g. letters from manufacturers about local distributors, solicitation of quotes from vendors, systems integration requirements, etc.).	Case files reviewed generally indicated that departments provide sufficiently detailed backup documentation to support the sole source request.	
Efforts are undertaken to ensure that competitive pricing is achieved from all vendors approved as sole source (i.e. review of pricing provided to other municipalities, negotiation with vendor, etc.).	Procurement staff explore options regarding pricing as available and as provided.	<p>Greater efforts could be undertaken to evaluate the pricing received on sole source purchases and to require specific information to be submitted as part of the review that justifies the pricing provided by the vendor.</p> <p>Utilization of a "best pricing" clause within sole source purchase actions may assist in addressing this; however, pricing is often quoted prior to involvement of procurement staff.</p>
For large contracts and / or random sample of small dollar contracts, Procurement Services Division conducts research to validate sole source justification (e.g. attempts to identify additional vendors, etc.).	Research is conducted based upon time and resource availability and the nature and size of the purchase.	
Procurement Services Division maintains a master database / report of all sole source purchases.	Sole source purchases can be identified, within limits, through the procurement module.	Additional efforts should be implemented to enhance the identification and tracking of sole source purchases, including denials, in the system.
Appropriate procurement processes are utilized to achieve competitive pricing on service contracts not requiring formal bidding / RFPs.	The procurement manual outlines suggested methods for achieving competitive pricing where formal bidding is not required.	
Master databases are maintained of all service and construction contracts entered into by WVU.	All construction and service contracts are maintained in Procurement and all contracts over \$25,000 are provided to the State Auditor.	

<b>Performance Target</b>	<b>Strengths</b>	<b>Potential Improvements</b>
Contract amendments are reviewed by appropriate legal authority and/or the Procurement Services Division when the total dollar value of the amendment exceeds 25% of the original contract amount.	Procurement staff is involved in the review and approval of all contract amendments and change orders.	
Appropriate documentation is maintained supporting the selection decision reached by staff.	Selection processes are required, in accordance with the guidelines, to be maintained as part of the procurement file.	
Contracts for services exceeding a pre-determined threshold must receive authorization from Procurement Services Division prior to approval.	Procurement services is involved in the development and issuance of all contracts for service.	
All contracts entered into for service contracts are either based upon contracts approved by WVU or, if based upon a vendor supplied contract, are reviewed by legal staff prior to signature.	All contracts are based upon forms approved by legal counsel and incorporate all standard terms and conditions.	
Assistance by Procurement Services is provided to departments in negotiating pricing for service contracts. Prior contracts and external research is utilized for determining the appropriateness of consultant rates and fees.	Procurement staff provide assistance and historical information, as appropriate, to evaluate pricing rates provided on service contracts during the evaluation phase.	
Services and commodities utilized by multiple departments are acquired through a joint effort coordinated by the Procurement Services Division to achieve best value for the University.	<p>Procurement is involved in the development of University-wide contracts to cover certain services and commodities of general use within the University (such as car rental, shipping services, and office supplies).</p> <p>Procurement is in the process of implementing through SciQuest a contract portal that will provide access to various established contracts for departments to purchase from through a coordinated system.</p>	However, many of these contracts are not required use contracts and departments are free to utilize other service or commodity providers. There are additional opportunities, as identified by staff, to expand the utilization of University-wide contracts.



<b>Performance Target</b>	<b>Strengths</b>	<b>Potential Improvements</b>
A master contract approach is utilized for pre-qualifying firms able to provide engineering and design services.	The University utilizes a good master contracting approach. The process for small projects is one of the more efficient and effective programs reviewed by the project team and is clearly a model approach for others to follow.	
Vendors are evaluated at the completion of the provision of design and engineering services. Those vendors not receiving a satisfactory rating are not eligible for continued placement on the master contract.		Formal evaluation mechanisms are not in place to evaluate specific performance.
A standard policy has been established across all departments outlining the process to be followed in evaluating and selecting vendors for service contracts (i.e. numerical ratings, consensus selection, etc.).	Some flexibility is provided in vendor evaluations however; guidelines are outlined in the procurement manual regarding which measure (best value, lowest responsible bidder) must be utilized for specific types of procurements.	
Basic documentation on service contracts including RFPs/RFQs, vendor submissions, selection process, etc. is maintained by Procurement for all contracts.	Procurement services maintains files on each solicitation processed including bid responses and evaluations conducted.	Periodic auditing of files may be required to ensure all documentation is appropriately maintained.
Project Managers are responsible for evaluating performance of vendors on construction contracts and documenting and approving the need for change orders.	Project managers perform these duties on an ongoing basis.	
<p>The procurement documentation file for all construction and service contracts contain the following information:</p> <ul style="list-style-type: none"> <li>• Purchase requisition, planning information, and other pre-solicitation documents.</li> <li>• Evidence of availability of funds.</li> </ul>	<p>The file documentation for construction contracting found no problems. The purchase order files were thoroughly maintained and contained all necessary documents as outlined in the following points.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p>	

<b>Performance Target</b>	<b>Strengths</b>	<b>Potential Improvements</b>
<ul style="list-style-type: none"> <li>• Rationale for the method of procurement (negotiations, formal bidding, sole source, etc.).</li> <li>• List of sources solicited.</li> <li>• Independent cost estimate.</li> <li>• Statement of work / scope of services.</li> <li>• Copies of published notices.</li> <li>• Copy of the solicitation, all addenda and all amendments.</li> <li>• Summary of each offer, quote or proposal received.</li> <li>• Selection documentation.</li> <li>• Cost or pricing data.</li> <li>• Notice of award and notice of non-selection to unsuccessful bidders/offerors and records of any debriefing sessions.</li> <li>• Record of any protest.</li> <li>• Required bid, performance or other bond documents including insurance forms, if any.</li> <li>• Notice to proceed.</li> </ul>	<p>Documentation maintained.</p> <p>Documentation maintained. Documentation maintained. Documentation maintained.</p> <p>Documentation maintained. Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained. Documentation maintained. Documentation maintained.</p> <p>Documentation maintained. Documentation maintained.</p> <p>Documentation maintained.</p>	
<p>Monthly reports are generated detailing the current status of contracts entered into by WVU and outlining current level of financial expenditure versus original budget, project progress, key milestones, number and amount of contract amendments/change orders, etc.</p>	<p>Individual departments are responsible for monitoring the ongoing status of contracts under their control including budget and schedule progress.</p>	<p>Routine ongoing reports regarding contract status are not developed as a course of business.</p>
<p>Quarterly reports are generated identifying major vendors with WVU that are doing business with more than one department to identify potential areas for joint purchasing efforts.</p>	<p>WVU procurement staff informally identify areas for further investigation of the benefits for joint purchasing efforts.</p>	<p>These reports are not currently being developed on an ongoing basis.</p>
<p>A quarterly report is prepared describing each contract that is ending within the next six months and details the eligibility for contract extension (based upon original contract terms entered into).</p>		<p>No master contract database is maintained outlining contract terms, periods, extension periods allowed, etc.</p> <p>No comprehensive listing of University-wide contracts is maintained for use by departments.</p>

<b>Performance Target</b>	<b>Strengths</b>	<b>Potential Improvements</b>
Procurement staff conduct periodic spend analysis to determine commodity areas where group purchasing would be more effective.	Areas for use of group purchasing efforts are evaluated and identified informally.	A routine spend analysis report is not generated.
The Procurement Division has established ID/IQ (indefinite demand / indefinite quantity) contracts on a qualification basis to increase purchasing speed and effectiveness.	The procurement unit is utilizing a variety of ID/IQ contracts within limitations imposed by procurement regulations.	
The Procurement Division identifies and makes users aware of available cooperative purchasing agreements and GSA-like/State schedules available for direct purchases.	The Procurement staff has the ability to and do utilize a variety of cooperative and GSA-like purchasing schedules.	Additional efforts should be made to publicize available cooperative purchasing and schedule opportunities for departments. Staff should be trained in the appropriate utilization of these efforts to prevent them from being used for convenience when needs may be better met through other procurement methods.
The Procurement Division has a defined compliance function with defined tasks, duties, and required reviews.	Individual staff members have been assigned compliance functions for their individual areas (purchase orders, payments, p-card). Individual buyers are periodically evaluated on compliance through formal reviews of actions.	A coordinated work plan, with a defined, compliance monitoring function would provide increased oversight and ongoing identification of potential problem areas.

**APPENDIX C**

**PROCUREMENT CARD ANALYSIS**

## APPENDIX C

### PROCUREMENT CARD ANALYSIS

#### 1. REVIEW OF THE PROCUREMENT CARD TRANSACTION AUDITS.

As part of the compliance review, the project team conducted a review of procurement card transactions to ensure transactions complied with University procurement policies and procedures. The points, which follow, present a summary of the transaction audit process.

- The project team was provided multiple Excel spreadsheets of procurement card transactions from the second month of each quarter of the calendar year for three years, as shown in the table below:

Month	2005	2006	2007
January			
February	√	√	√
March			
April			
May	√	√	√
June			
July			
August	√	√	√
September			
October			
November	√	√	√
December			

- The project team selected a random sample of thirty-five transactions from the Excel spreadsheets provided. At least one transaction was selected from each month and year.
- The project team reviewed the random sample of procurement card transactions and collected the following data:
  - Date of transaction
  - Reason transaction was flagged by P-Card Administration Unit staff.
  - Dollar amount of the transaction.

- Action taken (e.g. no action, contacted department, reviewed contracts, etc.).
- Resolution (e.g. finding of non-compliance and resulting disciplinary action, determination transaction was in compliance, etc.).
- The project team compiled the sample into a database and reviewed each transaction with P-Card Administration Unit staff to determine what, if any, action was taken and the resolution.

The table, which follows, presents the random sample of procurement card transactions that were reviewed by the project team.

Transaction Date	Reason Flagged	Amount	Action Taken	Resolution
08/05/05	Stringing	\$9,596.43	Reviewed previous records and determined this was a similar circumstance.	
08/11/05	Restricted Codes	\$30.00	No action	
08/17/05	Stringing	\$3,000.00	Sent email to Department Card Coordinator and then notified supervisors.	
08/21/05	Exceeds CH Limit	\$1,853.00	Maintenance to increase limit.	DCC requested card limit increase
08/31/05	WV Tax Charged	\$135.68	No charge.	Verified in compliance
07/31/06	Stringing	\$36,549.67	Was allowable charge - now essential service within policy?	Verified in compliance
07/31/06	Stringing	\$13,075.00	No action. Flagged because over \$5,000	Verified in compliance
08/08/06	Restricted Codes	\$150.00	No action.	
08/08/06	Restricted Codes	\$345.00	No action.	
08/08/06	Restricted Codes	\$930.00	No action.	
08/14/06	Stringing	\$5,797.01	No action.	
08/25/06	Stringing	\$1,785.89	No coding / over limit.	
09/01/06	Stringing	\$6,835.37	No action.	
08/15/07	Stringing	\$5,560.78	No action. Items delivered to different locations, listed as two transactions.	Verified in compliance
08/28/07	Transactions Over \$5,000	\$7,050.00	Advertising - essential services; accepted.	Verified in compliance
05/15/06	Restricted Codes	\$33.00	No action.	

<b>Transaction Date</b>	<b>Reason Flagged</b>	<b>Amount</b>	<b>Action Taken</b>	<b>Resolution</b>
05/29/06	Restricted Codes	\$23.41	No action.	
02/10/05	Stringing	\$7,206.40	No action.	
02/25/05	Stringing	\$7,705.75	No action.	
02/06/06	Stringing	\$6,886.00	Paying bill of existing contract; verified open contract.	Verified in compliance
02/22/06	Stringing	\$5,280.10	Requested documentation March 3.	
02/19/07	Restricted Codes	\$360.00	No action.	
05/04/05	Stringing	\$6,644.33	No action.	Supervisor approval - purchasing may be acquiring materials for different projects.
05/19/05	Stringing	\$2,838.51	No action	
05/01/06	WV Tax Charged	\$100.52	Sent an email - credit posted.	
05/16/06	Stringing	\$6,000.00	No action.	
05/04/07	Transactions Over \$5,000	\$20,799.22	Under contract / payment and utility - ES, payment okay.	Verified in compliance
06/01/07	Stringing	\$5,097.67	Essential service.	Verified in compliance
11/08/05	Restricted Codes	\$528.97	No action.	
11/22/05	Restricted Codes	\$101.95	No action.	
10/31/06	Stringing	\$11,732.70	Under contract, in compliance.	Verified in compliance
11/01/06	Stringing	\$12,131.32	Under contract, in compliance.	Verified in compliance
11/13/06	Stringing	\$10,881.89	No action.	
12/01/06	Stringing	\$5,005.63	No action.	
11/16/07	Stringing	\$4,879.29	Resale - essential services.	Verified in compliance

The points, which follow, present a discussion of the procurement card transaction audit and key findings.

- The table, below, presents the distribution of the sample by year and month. It should be noted that the project team documented the transaction date, meaning that while date the transaction was posted fell within the above months, the actual transaction could have occurred several days prior to the posting date. The Excel spreadsheets were provided by in weekly increments by posting date (i.e. when the data were available for download from the credit card companies).

Month	2005	2006	2007	Total
January	–	–	–	–
February	2	2	1	5
March	–	–	–	–
April	–	–	–	–
May	2	4	1	7
June	–	–	1	1
July	–	2	–	2
August	5	5	2	12
September	–	1	–	1
October	–	1	–	1
November	2	2	1	5
December	–	1	–	1
<b>Total</b>	<b>11</b>	<b>18</b>	<b>6</b>	<b>35</b>

- The table, which follows, presents the distribution of transactions flagged by reason.

Reason	Description	Number	% of Sample
Exceeds CH Limit	Transaction exceeded cardholders limit – either total card limit or per transaction limit.	1	3%
Restricted Codes	Merchant code was restricted, such as bars, package stores, discotheques, etc.	9	26%
Stringing	Several transactions that exceed the cardholders per transaction or daily limit.	21	60%
Transactions Over \$5,000	Transaction exceeded the per transaction limit of \$5,000.	2	6%
WV Tax Charged	West Virginia sales tax charged.	2	6%
<b>Grand Total</b>		<b>35</b>	<b>100%</b>

- With respect to the dollar amount of transactions flagged, there was a range of a low of \$23,41 to a high of \$36,549.67. The table, below, presents the distribution of transactions by percentile.

Percentile	Amount
25 <sup>th</sup>	\$444
50 <sup>th</sup>	\$5,098
75 <sup>th</sup>	\$7,128
100 <sup>th</sup>	\$36,550

- As noted, the project team reviewed each transactions with staff assigned to the P-Card Administration Unit to determine what, if any action, was taken and what the final result was (e.g. compliance, non-compliance, disciplinary action, etc.).



Reason	Action Taken?			
	Yes		No	
	#	%	#	%
Exceeds CH Limit	1	8%	0	0
Restricted Codes	0	0%	9	41%
Stringing	9	69%	12	55%
Transactions Over \$5,000	2	15%	0	0%
WV Tax Charged	1	8%	1	5%
<b>Total</b>	<b>13</b>	<b>100%</b>	<b>22</b>	<b>100%</b>
<b>% of Total Transactions</b>	<b>37%</b>		<b>63%</b>	

- The project team reviewed transactions that were flagged and for which action was taken to determine if there was a resolution or finding. The table, below, presents a summary of the results.

Category	Number
Number of transactions with a resolution	9
% of total transactions resolved	26%

- The project team also reviewed the sample to determine if there were departments and / or employees that appeared more than once in the sample. The tables, which follow, present the data.

No. of Employees by No. of Transactions		
No. of Transactions	No. of Employees	% of Total
1	26	90%
2	0	0%
3	3	10%
<b>Total</b>	<b>–</b>	<b>100%</b>

As shown in the above table, three employees had three separate flagged transactions each. Additionally, in the table below, there were three departments with two flagged transactions each and four departments with three flagged transactions each.

No. of Departments by No. of Transactions		
No. of Transactions	No. of Departments	% of Total
1	17	71%
2	3	13%
3	4	17%
<b>Total</b>	<b>–</b>	<b>100%</b>

The points, which follow, present a summary of the key findings of the procurement card transaction reviews.

- Transactions are only reviewed on a seven-day basis (e.g. Sunday to Saturday). Monthly, quarterly and annual reviews are not conducted to look at broader patterns of use and / or potential misuse and abuse.
- There is limited follow up on staff's part with respect to transactions that are flagged as potential violations. As noted, of the sample:
  - Only 37% of flagged transactions had some type of action taken (e.g. contacted department, researched contracts, etc.), meaning that for 63% there was no action taken by staff.
  - Only 26% of flagged transactions had been resolved.
- Based on interviews and a review of the Excel spreadsheets provided to the project team, there is limited research and investigation of flagged transactions.
- While the report is provided to supervisory staff on an ongoing basis, there is limited follow up by supervisory staff to ensure compliance, identify and discipline repeat violators, etc.
- Additionally, in the sample, there were three employees and seven departments that had at least two flagged transactions. As noted, there is limited follow up by line and supervisory staff on flagged transactions.

Based on the review of procurement cards transactions audits and resulting data, as well as interviews with staff, the project team recommends the following improvements:

- P-card administration staff should continue to perform transactions audits on an ongoing basis and should also expand the sample period of transactions to identify patterns over longer periods of time, including monthly, quarterly and annually. This will better enable staff to determine patterns of use, misuse and abuse in the procurement card program.
- The P-card administration staff should develop a formal, written policy and audit program that outlines the process for auditing transactions. This policy should include the following:

- Specific guidelines and targets as to the percentage of flagged transactions for which staff will conduct follow up research and investigation.
  - Established time periods for review of transactions to develop better understanding of patterns of use and identify misuse or abuse of p-card program.
  - Process for identifying departments and / or employees that have multiple flagged transactions and / or findings of noncompliance.
  - Clear process for requesting and receiving information and backup documentation for flagged transactions from departments and employees.
  - Memorandum issued by executive management of the University (e.g. Vice President, President, etc.), which clearly provides the Procurement Services and P-Card Administration Unit with the authority to research flagged transactions, request supporting documentation, etc. This memorandum should also outline consequences for not cooperating with any reasonable request on p-card audits.
  - Additionally, the policy should include escalating disciplinary measures for non-cooperation (e.g. failure to provide documentation in an appropriate time frame), misuse and / or abuse of the p-card program, as well as repeat violations.
- Procurement Services should develop a process by which transactions flagged for noncompliance are investigated. Results of each investigation should be thoroughly documented, including findings, resulting consequences and actions.
  - P-Card Administration should also develop performance reports to be provided to the Unit's supervisor, as well as Procurement Services management team. This report should include the following:
    - Number of transactions and dollar value of p-card transactions.
    - Percentage of total transactions flagged.
    - Number and percentage of flagged transactions by reason.
    - Number and percentage of flagged transactions investigated.
    - Number and percentage of "opened" flagged transactions by status and finding (e.g. closed – no violation found, closed – violation found, active research / investigation, etc.)

- Number and percentage of confirmed misuse or abuse by action taken (e.g. written warning, cancellation of p-card, etc.).

As noted, there are a number of opportunities for improvement with respect to the monitoring of the West Virginia University's procurement card program that will provide University administrators with better tools with which to manage the program.

**Recommendation: P-card administration staff should continue to perform transactions audits on an ongoing basis and should also expand the sample period of transactions to identify patterns over longer periods of time, including monthly, quarterly and annually. This will better enable staff to determine patterns of use, misuse and abuse in the procurement card program.**

**Recommendation: The P-Card administration staff should develop a formal, written policy and audit program that outlines the process for auditing transactions and clearly delineates departmental responsibilities and responsibilities of WVU Procurement staff.**

**Recommendation: Procurement Services should develop a process by which transactions, flagged for noncompliance are investigated. Results of each investigation should be thoroughly documented, including findings, resulting consequences and actions.**

**Recommendation: P-Card Administration should also develop performance reports to be provided to the Unit's supervisor, as well as Procurement Services management team.**

## **2. PROCUREMENT CARD TRANSACTIONS WERE REVIEWED FOR A TWELVE – MONTH PERIOD.**

In addition to conducting a random sample of procurement card transactions, the project team requested twelve-month period of data on the procurement cards. The data included the following information:

- Account name (i.e. employee)
- Department and Executive Business Office
- Department card coordinator (DCC)
- Post date and transaction date

- Merchant code description (e.g. category of merchant)
- Merchant name
- Amount of transaction
- Amount of sales tax, if paid
- Single daily purchase limit

The data contained transactions for a twelve-month period. Upon review, the project identified some limitations with the data set, including:

- Mis-categorized transactions (e.g. merchant description did not match goods or services provided by merchant, etc.).
- Misspelling of merchant names, as well as unique names (e.g. under the merchant name for many airline carriers included the name of the airline carrier and a series of unique numbers).
- Merchant name placed in multiple categories (e.g. office supply merchants appears in 'office, school supply and stationary stores,' 'direct marking-combination catalog and retail,' stationary, office supplies, printing,' etc.).

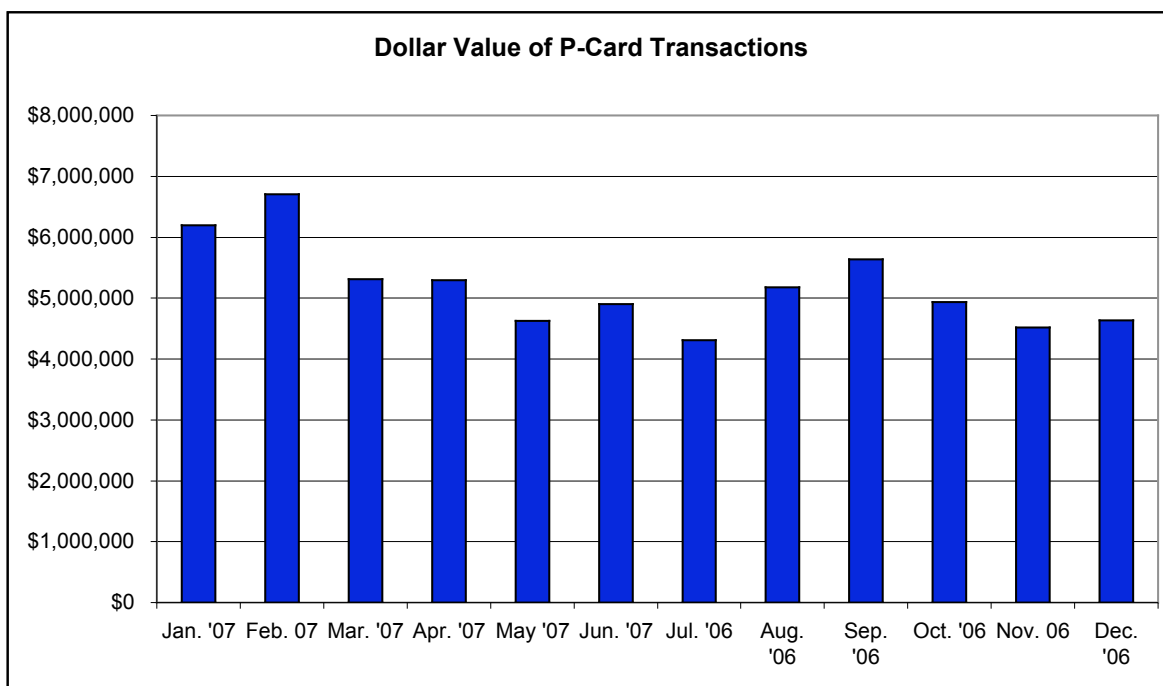
With those limitations in mind, the project team reviewed the data set to identify broad trends and opportunities, including spending patterns, volume of p-card transactions and opportunities to increase competitive bidding and pricing. The points and tables, which follow, provide a summary of the data.

- The data included transactions from July 1, 2006 through June 30, 2007. During that timeframe, there were approximately 170,000 transactions. The table, below, shows the number of transactions by quarter (fiscal year).

<b>Date</b>	<b>Number of Transactions</b>
July 1, 2006 to September 30, 2006	40,043
October 1, 2006 to December 31, 2006	42,279
January 1, 2007 to March 31, 2007	45,782
April 1, 2007 to June 30, 2007	40,938
<b>Total</b>	<b>169,042</b>

- For the sample period, the total volume for procurement card transactions was over \$62 million. The chart, below, presents the dollar value of transactions by

month for the sample period. Value ranged from 7% to 11% of total annual p-card expenditures per month.



- The data set contained approximately 255 different merchant descriptive codes. The table, which follows, presents those merchants with over \$500,000 in annual expenditures on procurement cards.

Merchant Description	Annual Purchases on P-Cards	% of Total P-Card Purchases
Building Materials, Lumber Stores	\$524,945	1%
Schools And Educational Services	\$555,367	1%
Organizations, Membership	\$562,890	1%
Cleaning And Maintenance, Janitorial Services	\$571,439	1%
News Dealers And Newsstands	\$594,344	1%
Sporting Goods Stores	\$599,773	1%
Eating Places, Restaurants	\$607,900	1%
Book Stores	\$619,168	1%
Organizations, Charitable And Social Service	\$640,702	1%
Hardware Stores	\$678,955	1%
Computer Software Stores	\$685,390	1%
Professional Services Not Elsewhere Classified	\$694,109	1%
Government Services Not Elsewhere Classified	\$721,738	1%
Electronics Sales	\$749,561	1%
Computers, Computer Peripheral Equip., Software	\$755,856	1%
Utilities Electric, Gas, Sanitary, Water	\$798,681	1%
Miscellaneous Publishing And Printing	\$867,312	1%
Other Services (Not Elsewhere Classified)	\$881,752	1%

<b>Merchant Description</b>	<b>Annual Purchases on P-Cards</b>	<b>% of Total P-Card Purchases</b>
Miscellaneous And Specialty Retail Stores	\$1,027,481	2%
Stationery, Office Supplies, Printing	\$1,213,549	2%
Colleges, Universities, Professional Schools	\$1,311,259	2%
Office, School Supply, And Stationery Stores	\$1,361,717	2%
Industrial Supplies Not Elsewhere Classified	\$1,364,535	2%
Direct Marketing - Other Direct Marketers	\$1,623,122	3%
Air Carriers, Airlines	\$1,668,175	3%
Office, Photographic, Photocopy	\$1,674,088	3%
Hardware Equipment And Supplies	\$1,884,587	3%
Business Services Not Elsewhere Classified	\$1,897,766	3%
Dental/Laboratory/Medical/Ophthalmic	\$1,951,493	3%
Commercial Equipment Not Elsewhere Classified	\$2,162,424	3%
Direct Marketing - Combination Catalog And Retail	\$2,235,489	4%
Nondurable Goods Not Elsewhere Classified	\$2,328,752	4%
Grocery Stores, Supermarkets	\$2,787,359	4%
Books, Periodicals And Newspapers	\$2,825,746	5%
Insurance Sales, Underwriting, And Premiums	\$2,962,664	5%
Lodging Hotels, Motels, Resorts	\$3,311,529	5%
<b>Total</b>	<b>\$47,701,617</b>	<b>76%</b>

As the table shows, approximately 76% of p-card transactions are to procure goods and services from only 14% of merchant codes (e.g. 36 of the 255 merchant code account for \$47.7 millions in p-card transactions).

- The project team also randomly sampled transactions by merchant. The table, which follows, illustrates examples of high annual expenditures and / or frequency of transactions using procurement cards. It should be noted that the table below is illustrative of many examples found in the data set.

<b>Category</b>	<b>Merchant</b>	<b>Amount</b>	<b>Total</b>
Airlines	Delta	\$235,056	\$618,138
	United Airlines	\$283,906	
	US Airlines	\$99,176	
Books / Newspapers	Amazon	\$227,870	\$359,011
	Charleston Newspaper	\$131,141	
Food, Beverage	Coca Cola Bottling Co.	\$510,449	\$2,920,711
	U.S. Food Service	\$2,410,262	
Hardware / Material Supply Stores	Ace Hardware	\$69,409	\$311,976
	Home Depot	\$11,211	
	Lowe's	\$231,357	
Hotels	Hilton Brand Hotels	\$276,693	\$1,367,511
	Marriott Brand Hotels	\$819,808	
	Waterfront Plaza Hotel	\$271,010	
Office Supplies	Office Depot	\$1,508,560	\$1,722,360
	Office Max	\$206,492	
	Office Products Direct	\$7,307	

Category	Merchant	Amount	Total
Rental Cars	Avis	\$25,278	\$239,552
	Enterprise Rent-A-Car	\$191,618	
	Hertz	\$22,656	
Shipping Services	FedEx	\$256,742	\$365,449
	United Parcel Service	\$58,714	
	U.S. Postal Service	\$49,994	
Telephone / Cable	Cellular One	\$554,478	\$622,477
	Comcast	\$41,128	
	Verizon	\$26,870	
West Virginia University Services	West Virginia Services	\$3,963,799	\$3,963,799
<b>Total</b>		<b>\$12,490,984</b>	<b>\$12,490,984</b>

As the examples in the table above show, on an annual basis, there are a number of vendors with which the various departments, services and programs at West Virginia University spend significant dollars.

The points, which follow, present a summary of the key findings of the procurement card annual purchases.

- As noted, for the sample period (from July 1, 2006 to June 30, 2007), approximately \$62 million worth of purchases and payments were transacted using procurement cards.
- Departments utilize procurement cards for ongoing payments (e.g. cell phones, newspaper subscriptions, utility, etc.).
- Departments procure goods and services from the same vendors.
- There are nearly \$4 million in annual credit card transactions among West Virginia University agencies.

Based on a review of the procurement card program, as well as the transaction data for a twelve-month period, the project team identified the following opportunities for improvement.

- Procurement Services should create and conduct ongoing spend analyses to ensure that the University is maximizing competitive bidding opportunities. Because West Virginia University is a large agency with numerous departments and programs, as a centralized function that maintains a larger view of University spending patterns, it is essential that Procurement Services conduct a spend



analysis to aggregate small purchases made over a long period of time (12 months) by decentralized components. This data should be used to establish more competitive bidding and / or negotiated contracts and discounts.

- Procurement Services should develop policies to promote the use of negotiated contracts on items such as travel (e.g. hotel brands, rental car agencies, etc.), office supplies, hardware supplies, cell phones, etc.
- Procurement Services should expand the procurement card audit function to include periodic audits of transactions to ensure use of negotiated contracts and relevant discounts, including State negotiated rates, etc.
- Given the high dollar volume of p-card transactions (over \$62 million per year), Procurement Services should develop a policy governing the use of blanket purchase orders for frequently used vendors (e.g. office supplies stores, book stores, food / beverage vendors) and / or routine payments, such as utility bills, cell phones, newspaper subscriptions, etc. This better enables managers and University administrators to plan and budget expenditures at the department level, as well as control and project spending (e.g. encumber funds) throughout the budget year.
- The sample procurement card data revealed nearly \$4 millions in annual transactions for intra-University purchases (e.g. one department purchased goods or services from another department). Procurement Services should reduce the use of procurement cards for intra-University transactions and establish intra-University fund transactions and / or internal blanket purchase orders.

There are a number of opportunities for improvement with respect to the procurement card program that will provide managers and University administrators with better tools to manage, monitor and control expenditures.

**Recommendation: Procurement Services should create and conduct ongoing spend analyses to ensure that the University is maximizing competitive bidding opportunities.**

**Recommendation: Procurement Services should develop policies to promote the use of negotiated contracts on items such as travel (e.g. hotel brands, rental car agencies, etc.), office supplies, hardware supplies, cell phones, etc.**

**Recommendation: Procurement Services should expand the procurement card audit function to include periodic audits of transactions to ensure use of negotiated contracts and relevant discounts, including State negotiated rates, etc.**

**Recommendation: Procurement Services should develop a policy governing the use of blanket purchase orders for frequently used vendors (e.g. office supplies stores, book stores, food / beverage vendors) and / or routine payments, such as utility bills, cell phones, newspaper subscriptions, etc.**

**Recommendation: Procurement Services should reduce the use of procurement cards for intra-University transactions and establish intra-University fund transactions and / or internal blanket purchase orders.**