



August 2009
PE 09-02-448

ANNUAL PERFORMANCE AUDIT

INSTITUTIONS OF HIGHER EDUCATION

AUDIT OVERVIEW

The Lack of a Centralized Location to Obtain Cooperative Contract Information Prevents Institutions of Higher Education From Increasing the Use of Cooperative Methods for Purchasing



Legislative Oversight Commission on Education Accountability

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EXECUTIVE SUMMARY

West Virginia institutions of higher education are permitted by state code to participate in cooperative purchasing methods when these methods are financially advantageous; however, few institutions do so. Participation in cooperative procurement has proven to be beneficial in terms of cost and times savings. The West Virginia Higher Education Policy Commission (HEPC) establishes purchasing policies, provides purchasing information to schools, and has made some efforts in the past to increase collaboration among institutions, no collective buying entity has been established for higher education institutions in the state. It is recommended that HEPC consider taking steps to enhance purchasing cooperation among institutions.

A survey of institutions was conducted to determine the extent to which higher education institutions utilize cooperative purchasing contracts and the need for the expansion of cooperative purchasing efforts. Institutions were asked to provide information regarding their use of contracts, membership in purchasing consortia, and a discussion of hindrances to their participation in cooperative contracts.

Survey responses indicated that most contracts are still developed by the institution rather than purchasing through existing contracts of other institutions or using third-party aggregators. Although nearly 45 percent of contract purchasing for small West Virginia institutions of higher education is done through cooperative arrangements, the Legislative Auditor concludes that this percentage can be higher. A major factor that inhibits further growth of cooperative purchasing is the lack of centralized information on existing contracts. The absence of centralized information on existing contracts makes contract purchasing inefficient, time-consuming and more costly. Given the inefficiencies in contract purchasing, it is commendable that 45 percent of contract purchasing is done through cooperative methods. In order to facilitate greater efficiency and cost savings, HEPC should increase efforts to assist institutions to utilize cooperative buying. Providing a centralized location where institutions can obtain information regarding existing contracts will save time and money.

Recommendations:

1. *The Legislative Auditor recommends that the West Virginia higher education institutions that are not presently affiliated with a purchasing consortium should explore membership for potential cost-saving benefits.*
2. *The Legislative Auditor recommends that the Higher Education Policy Commission consider taking steps to enhance purchasing coordination among institutions, particularly by creating a central procurement website to provide institutions with existing cooperative contract information.*

OBJECTIVE, SCOPE & METHODOLOGY

Objective

Chapter 18B, Article 5, Section 4(r) of the West Virginia State Code requires the Legislative Auditor to conduct a performance audit of purchasing functions and duties at higher education institutions each fiscal year. All public higher education institutions in the state except West Virginia University and Marshall University and their affiliates and the Community and Technical College at West Virginia University Institute of Technology were included in this evaluation. This evaluation was conducted in order to determine the usage of cooperative purchasing by higher education institutions, made permissible by West Virginia Code §18b-5-4(q), and the need for and feasibility of the expansion of cooperative purchasing in order to decrease costs.

Scope

The scope of this report is purchasing contract usage and participation in cooperative purchasing methods by higher education institutions during fiscal years 2006 through 2008. These 15 institutions, consisting of 8 baccalaureate institutions and 7 community and technical colleges, are: Bluefield State College, Concord University, Fairmont State University, Glenville State University, Shepherd University, West Liberty State College, West Virginia School of Osteopathic Medicine (WVSOM), West Virginia State University, Blue Ridge Community and Technical College, Eastern West Virginia Community and Technical College, New River Community and Technical College, Pierpont Community and Technical College, Southern West Virginia Community and Technical College, West Virginia Northern Community College, and West Virginia State Community and Technical College.

Methodology

In order to determine the extent to which higher education institutions utilize cooperative purchasing contracts and the need for the expansion of cooperative purchasing efforts, a survey of institutions was conducted. The survey had a response rate of 100 percent, however, four institutions only provided a partial response to the survey. Institutions were asked to provide information regarding their use of contracts, membership in purchasing consortia, and a discussion of hindrances to their participation in cooperative contracts. Every aspect of this evaluation complied with **Generally Accepted Government Auditing Standards (GAGAS)**.

ISSUE 1

The Lack of a Centralized Location to Obtain Cooperative Contract Information Prevents Institutions of Higher Education From Increasing the Use of Cooperative Methods for Purchasing

Issue Summary

West Virginia institutions of higher education are permitted by state code to participate in cooperative purchasing methods when these methods are financially advantageous; however, few institutions do so. Although six institutions reported participation in purchasing consortia and most institutions reported piggybacking on some existing contracts established by other institutions, the majority of purchasing at higher education institutions takes place via institutional contracts worked out by and for individual schools. Participation in cooperative procurement has proven to be beneficial in terms of cost and times savings; therefore it is recommended that institutions consider participation in purchasing consortia.

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Although the West Virginia Higher Education Policy Commission (HEPC) establishes purchasing policies, provides purchasing information to schools, and has made some efforts in the past to increase collaboration among institutions, no collective buying entity has been established for higher education institutions in the state. It is recommended that HEPC consider taking steps to enhance purchasing cooperation among institutions.

The main hindrance identified by schools to participation in cooperative methods was the difficulty and time consumption resulting from searching various websites and other resources to obtain contract information. Therefore, it is also recommended that HEPC create a centralized procurement website to provide institutions with information regarding piggyback contracts and other cooperative procurement options that may be available to them.

Cooperative Contracts are Used for about 45 Percent of Higher Education Institutions' Contract Purchases

West Virginia Code §18b-5-4(q) gives institutions of higher education authority to participate in cooperative purchasing methods when these are financially advantageous. Cooperative purchasing is the sharing of procurement contracts between institutions. The two main types of cooperative purchasing are “piggyback” arrangements, in which one institution utilizes a contract negotiated by another institution, and “third-party aggregators”, in which institutions join together, using their collective buying power to obtain better prices, typically under the management of a third party manager who enters into agreements for the benefit of group members. Often members of third party aggregated purchasing groups pay fees to take part in the group. The Massachusetts Higher Education Consortium indicates that cooperative buying “produces instant, measurable results that go immediately to a school’s bottom line.” The potential benefits of cooperative purchasing include cost savings, simplified administration, and reductions in time spent procuring products. While West Virginia higher education institutions included in this evaluation do utilize some existing contracts, they have not joined together as a group to obtain better prices under third party management.

The Legislative Auditor conducted a survey to assess the extent of participation in collaborative purchasing of smaller institutions of higher education. The following institutions were included in the survey:

- 1) Bluefield State College,
- 2) Concord University,
- 3) Fairmont State University,
- 4) Glenville State University,
- 5) Shepherd University,
- 6) West Liberty State College,
- 7) West Virginia School of Osteopathic Medicine,
- 8) West Virginia State University,
- 9) Blue Ridge Community and Technical College,
- 10) Eastern West Virginia Community and Technical College,
- 11) New River Community and Technical College,
- 12) Pierpont Community and Technical College,
- 13) Southern West Virginia Community and Technical College,

Cooperative purchasing is the sharing of procurement contracts between institutions.

While West Virginia higher education institutions included in this evaluation do utilize some existing contracts, they have not joined together as a group to obtain better prices under third party management.

- 14) West Virginia Northern Community College, and
- 15) West Virginia State Community and Technical College.

The survey obtained information in the following areas:

- memberships in purchasing consortia,
- types of contracts used by institutions,
- methods used by institutions to obtain information about existing contracts, and
- number of contracts at each institution.

The survey indicates that institutions utilize cooperative contracts for products and services such as telephone service, computer supplies and equipment, temporary staffing services, waste disposal, consulting, banking services, office furniture, car rentals, and copier equipment.

The survey indicates that institutions utilize cooperative contracts for products and services such as telephone service, computer supplies and equipment, temporary staffing services, waste disposal, consulting, banking services, office furniture, car rentals, and copier equipment. Of the cooperative contracts used, most are piggyback contracts negotiated by other institutions. Although contract information provided by schools indicated the use of a variety of piggyback contracts for an assortment of different items, schools do tend to piggyback on the same contracts for computer supplies and equipment. Several schools that provided contract information, including Fairmont, West Virginia State/West Virginia State CTC, Concord, Eastern, and Shepherd indicated piggybacking on the West Virginia University Dell contract and/or the state Apple contract.

Third party contracts utilized by members of purchasing groups make up a total of 48 of the total 558 contracts used by all institutions in fiscal years 2006 through 2008. Third party contracts are distinguished from piggyback contracts in that they are negotiated for all purchasing group participants, rather than negotiated by a single institution. The number and percentage totals of contracts used by institutions are shown in Table 1.

Table 1 Percentage Totals for Contract Procurement FY 2006-2008				
	Piggyback	Third Party	Institutional	Total
Contracts	203	48	307	558
Percent of Total	36.4%	8.2%	55.4%	100%

Source: PERD calculations based on institutional survey responses.

The institutions indicated that when contracts are used for purchases, around 55 percent of all purchasing is made using institutional contracts, which are individual contracts developed by and for a single institution. Contracts developed outside the institution and available for cooperative use are used for less than half of commodity purchases at West Virginia institutions of higher education (see Appendices B and C). Although the use of cooperative contracts for about 45 percent of contract purchasing is commendable, the Legislative Auditor concludes that the use of institutional contracts can be further reduced from its present level. The primary reason for this conclusion is evidence of a need for centralization of contract procurement. If contract procurement for institutions of higher education were centralized, more cooperative purchasing would be possible. The Legislative Auditor recognizes there is a limit to how much purchasing can be done cooperatively. This may be because institutions are sometimes able to receive better pricing locally. In addition, some institutions may need items that are not available on cooperative contracts. It is unclear how much of an increase in the number of purchases made using cooperative methods could result from enhanced efforts on the part of higher education institutions and HEPC. Because of situations such as those named above, some purchases may never be done cooperatively; nevertheless, there may be significant room for improvement.

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HEPC Provides Purchasing Policies and Information

Contract procurement for higher education institutions is decentralized. In order to assist institutions in purchasing according to state code, the Higher Education Policy Commission has issued a Purchasing Policies and Procedures Manual, and conducts a biannual conference for purchasing directors and institutional financial officers. HEPC also develops a few collaborative contracts. In the past, the HEPC provided leadership to assist the smaller institutions in a collaborative purchasing effort. The Interim Director of Finance and Facilities stated:

One of the cooperative buying projects undertaken as a test project was a reverse auction for copy paper managed by Shepherd College. All institutions participated in drafting the request for bids and in planning the reverse auction, and a contract was subsequently issued to

If contract procurement for institutions of higher education were centralized, more cooperative purchasing would be possible.

Unisource...Utilization of the contract diminished over time as institutions found suppliers offering better or comparable pricing.

The Interim Director also indicated that consideration was given to issuing a contract for office supplies under the auspices of West Virginia University (WVU). However, it was decided that the office supply contract available through Educational and Institutional Cooperative Purchasing (E&I), a national higher education purchasing cooperative, provided better pricing. WVU indicated that, since that time, this and other office supply contracts have lapsed due to the prevalence of PCard purchasing of office supplies by institutions. In addition to these test efforts, the Interim Director indicated that there has been discussion regarding the creation of an interstate higher education consortium, but this never came to fruition. No collective buying entity has been established for West Virginia institutions of higher education.

The HEPC Procedural Rule for Purchasing, Title 133 Series 30 provides the authority for increasing efficiency and cost effectiveness in higher education purchasing.

The HEPC Procedural Rule for Purchasing, Title 133 Series 30 provides the authority for increasing efficiency and cost effectiveness in higher education purchasing. The Procedural Rule §133-30-5 states that the Vice Chancellor of Administration has the authority and duty to:

§133-30-5.1.1 Administer and oversee the purchasing system of the Commission, Council, and Governing Boards;

§133-30-5.1.2 Recommend to the Commission and Council additional rules or modifications to this rule as may be required for efficient and cost effective management of purchases...

The Legislative Auditor recommends that the Higher Education Policy Commission consider taking steps to enhance purchasing cooperation among institutions.

Only Six Colleges Are Members in Purchasing Consortia

Although most purchasing is handled through institutional contracts, Fairmont, Glenville, Shepherd, West Virginia State, Blue

Ridge and Eastern indicated involvement in purchasing consortia. A purchasing consortia is defined as consisting of two or more independent organizations that join together to combine their individual requirements for purchased materials, services, and capital goods to leverage better pricing, service, and technology from their suppliers than could be obtained if each institution purchased goods and services separately.

Higher education institutions in a number of states, including Massachusetts, Georgia, Pennsylvania, and Ohio, have begun enhancing collaborative purchasing efforts in order to increase efficiency and contain costs. The creation of purchasing consortia such as The Massachusetts Higher Education Consortium (MHEC) in Massachusetts; the Atlanta Regional Council for Higher Education (ARCHE) Cooperative Purchasing Council in Georgia; the Philadelphia Area Collegiate Cooperative (PACC) in Pennsylvania; and the Inter-University Council Purchasing Group of Ohio (IUC) were all established to increase cooperative purchasing at educational institutions in order to obtain better prices. Participation in purchasing consortia has been shown to be a vital tool in cost containment. A study by the American Association of State Colleges and Universities (AASCU) found that 90 percent of AASCU institutions participating in the study rated their consortium participation as very effective or effective as a cost containment strategy.

The consortia that West Virginia higher education institutions are involved with include the Pennsylvania Education Joint Purchasing Council (PAEJPC), Education and Institutional Cooperative Purchasing (E&I), and Horizon Resource Group. Participation in these consortia involves the following requirements:

- **The Pennsylvania Education Joint Purchasing Council** is a cooperative purchasing program that serves public, private, vocational, and higher education institutions; educational service agencies; municipalities; nonprofit organizations; and public or non-profit entities of any U.S. state for a fee.
 - \$250 annual membership fee,
 - An additional 1.5 percent bid service fee on purchases,
 - Some contracts have minimum purchase requirements,

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The consortia that West Virginia higher education institutions are involved with include the Pennsylvania Education Joint Purchasing Council (PAEJPC), Education and Institutional Cooperative Purchasing (E&I), and Horizon Resource Group.

- West Virginia institutions that indicated involvement with PAEJPC include Fairmont/Pierpont and Glenville.
- **Education and Institutional Cooperative Purchasing** is a purchasing cooperative that serves higher education institutions; preparatory schools; public and private K-12 schools; and other non-profit organizations such as hospitals, libraries, state commissions, etc.
 - Joint membership with the National Association of Educational Procurement (NAEP), a professional organization for Canadian and U.S procurement officers. E&I was established by members of NAEP “to provide goods and services to members at the best possible value.”
 - Membership fees consist of annual NAEP membership dues, plus a one-time \$5 E&I equity purchase in the first year of membership. NAEP dues are \$500 for associate (non-voting) members or range from \$400 to \$2,700 for voting members, depending on the number of students enrolled at the institution.
 - There are no additional fees or minimum purchase requirements.
 - West Virginia institutions that indicated involvement with E&I include Fairmont/Pierpont, Shepherd, and WV State/ WV State CTC.
- **Horizon Resource Group** is a group purchasing organization that serves only higher education institutions.
 - No membership fees or minimum purchase requirements,
 - West Virginia institutions that indicated involvement with Horizon Resource Group include Glenville and Shepherd.

Institutions utilizing contracts provided by these consortia indicated several reasons for and benefits of using consortium contracts, including better pricing, specific product availability, and the convenience of pre-negotiated contracts over establishing institutional contracts.

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example, Fairmont indicated the use of an E&I contract for Franklin Interiors Inc. in 2008 to purchase furniture. The Director of Procurement at Fairmont stated the following:

When making purchases, we first look to see if any contracts (institutional, statewide, GSA, consortium contracts, WVNET, etc.) are available. If a contract is available, the purchase is made from one of the available contracts. If no contracts are available and the purchase exceeds the no bid limit, we would then solicit bids for the purchase.

In this particular case, furniture is available on contract. However, Fairmont State University does not have any institutional furniture contracts, therefore, we purchase from statewide, GSA, or consortium contracts.

The Franklin Interiors contract...is a national competitively bid contract. The items purchased are excellent quality at a very competitive price.

Shepherd University used several consortium contracts during the timeframe of this audit, including a PAEJPC contract for Atlas Tracks Inc.; an E&I contract for Henry Schein; and an E&I contract W.W Grainger. The Chief Procurement Officer at Shepherd stated the following:

The items purchased through Henry Schein are for Athletic Training Supplies. These supplies are utilized by all of the athletic teams. This contract is used as the prices are cheaper than could be obtained by competitively bidding the 300 items that could be used by the athletic teams.

The items purchased through WW Grainger are supplies for campus maintenance. This contract was used as the pricing is better than could be obtained from a contract established by the institution.

The third cooperative contracts that was utilized was through Atlas Tracks Inc. This contract was used because it was a contract that was established for the product that was required for this particular situation. This contract was to place turf on the football field. This particular product has documented proof that it is the best product to be used for the health of the athletes playing on the surface.

Institutions indicated that the primary barrier to using cooperative contracts is the lack of knowledge of such existing contracts.

As these statements demonstrate, there are several benefits provided by participation in purchasing consortia, including better pricing, product availability, and convenience. Because West Virginia higher education institutions stand to benefit from increased purchasing collaboration, **the Legislative Auditor recommends that the West Virginia institutions of higher education that are not presently affiliated with a purchasing consortium should explore membership to maximize cost-saving benefits.**

The Lack of Centralization of Contract Information Inhibits Participation in Cooperative Procurement

The majority of contract purchases are made through contracts developed by the individual institution. Although reasons for this vary, institutions indicated that the primary barrier to using cooperative contracts is the lack of knowledge of such existing contracts. Purchasing directors made the following statements:

- **Fairmont State University/Pierpont Community College** - “Searching various locations to find appropriate contract information and change orders” hinders the use of collaborative contracts.

- **Glenville State College** - “No central source to find, view or print contracts or to obtain contract information.”
- **Shepherd University** - “Lack of centralized information makes it difficult and time-consuming to find contract information.”
- **West Virginia School of Osteopathic Medicine** – It is “time consuming searching various locations.”
- **Eastern Community and Technical College** – “There is a limited knowledge of opportunities available” because of a lack of centralization of contract information.
- **Northern Community College** – There is no “centralized clearing house of individual state agency contracts.”

Another problem for smaller institutions such as the West Virginia School of Osteopathic Medicine is a minimum order requirement for many existing contracts. Such institutions do not have storage space and therefore cannot participate in the cost savings presented by the contract. Centralized knowledge of the minimum purchasing requirements may enable smaller institutions to pool their purchasing power to take advantage of the cost savings. In addition, West Virginia University indicated that some office supply vendors, such as Office Depot, have agreed to give contract pricing to any customer paying with a West Virginia PCard; however, some institutions may not have knowledge of the contractual arrangement with the vendor.

Time-savings is one benefit of participating in cooperative procurement contracts because less time is spent in negotiating individual contracts. Furthermore, institutions lose a considerable amount of time searching for existing contracts. According to survey respondents, a number of websites and other resources must be searched in order to find contract information. Only three survey respondents – Blue Ridge; Northern; and Southern Community Colleges – indicated that they use a single resource to locate contracts. Most institutions indicated that they search many resources, as many as 11 different websites, to find existing collaborative contracts for commodities or services (see Appendix D). A single location where institutions could acquire contract information would save time and increase the ability of institutions to participate in

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Centralized knowledge of the minimum purchasing requirements may enable smaller institutions to pool their purchasing power to take advantage of the cost savings.

A single location where institutions could acquire contract information would save time and increase the ability of institutions to participate in cost-saving cooperative purchasing methods.

cost-saving cooperative purchasing methods. **Therefore, the Legislative Auditor recommends that the Higher Education Policy Commission consider creating a central procurement website to provide institutions with cooperative contract information.**

Conclusion

Although West Virginia institutions of higher education have been statutorily permitted to participate in cooperative purchasing ventures for several years, most contracts are still developed by the institution rather than purchasing through existing contracts of other institutions or using third-party aggregators. Although nearly 45 percent of contract purchasing for small West Virginia institutions of higher education is done through cooperative arrangements, the Legislative Auditor concludes that this percentage can be higher. A major factor that inhibits further growth of cooperative purchasing is the lack of centralized information on existing contracts. The absence of centralized information on existing contracts makes contract purchasing inefficient, time-consuming and more costly. Given the inefficiencies in contract purchasing, it is commendable that 45 percent of contract purchasing is done through cooperative methods. In order to facilitate greater efficiency and cost savings, HEPC should increase efforts to assist institutions to utilize cooperative buying. Providing a centralized location where institutions can obtain information regarding existing contracts will save time and money.

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Recommendations:

1. *The Legislative Auditor recommends that the West Virginia higher education institutions that are not presently affiliated with a purchasing consortium should explore membership for potential cost-saving benefits.*
2. *The Legislative Auditor recommends that the Higher Education Policy Commission consider taking steps to enhance purchasing coordination among institutions, particularly by creating a central procurement website to provide institutions with existing cooperative contract information.*

Appendix A: Transmittal Letter

WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

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John Sylvia
Director

June 1, 2009

Brian Noland, Chancellor
Higher Education Policy Commission
1018 Kanawha Boulevard, East
Charleston, WV 25301-2827


Dear Chancellor Noland:

This is to transmit a draft copy of the performance audit of the purchasing functions at West Virginia institutions of higher education. This report is scheduled to be presented during the July 14-16, 2009 interim meeting of the Joint Committee on Government Operations and the Joint Standing Committee on Government Organization. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committees may have.

If you would like to schedule an exit conference to discuss any concerns you may have with the report, please notify us by Friday, June 12, 2009. We need your written response by noon on July 1, 2009, in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday, July 9, 2009 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,


Brian Armentrout
Research Manager

_____ *Joint Committee on Government and Finance* _____

Appendix B

Use of Cooperative Purchasing Contracts for Commodity Procurement by 4-Year Higher Education Institutions, FY 2006-2008									
Institution	FY 2006			FY 2007			FY 2008		
	Piggyback	Third Party	Institutional	Piggyback	Third Party	Institutional	Piggyback	Third Party	Institutional
Bluefield	4	0	14	4	0	15	5	0	12
Concord*									
Fairmont	41	0	32	31	0	24	33	0	25
Glenville*									
Shepherd	13	2	25	14	2	27	19	3	24
WV School of Osteopathic Medicine*									
WV State	8	10	34	8	10	34	8	10	34
West Liberty*									
Totals	66	12	105	57	12	100	65	13	95
Source: Institutional Survey Responses *Survey answers for the information in this table for Concord, Glenville, WV School of Osteopathic Medicine and West Liberty were missing or incomplete.									

Appendix C

Use of Cooperative Purchasing Contracts for Commodity Procurement by 2-Year Higher Education Institutions, FY 2006-2008									
Institution	FY 2006			FY 2007			FY 2008		
	Piggyback	Third Party	Institutional	Piggyback	Third Party	Institutional	Piggyback	Third Party	Institutional
Blue Ridge	0	0	0	0	0	0	1	0	0
Eastern	1	0	0	1	0	0	2	0	0
New River*	See Bluefield in Appendix B								
Northern	2	3	3	3	4	2	3	4	2
Pierpont*	See Fairmont in Appendix B								
Southern	1	0	0	1	0	0	1	0	0
WV State CTC*	See WV State in Appendix B								
Totals	3	3	3	5	4	2	7	4	2
Source: Institutional Survey Responses									
*Information for New River, Pierpont and West Virginia State Community and Technical Colleges are included in information for the affiliated four-year institutions shown in Appendix B.									

Appendix D

Sources of Contract Information

- Various Websites
 - West Virginia Division of Purchasing (<http://www.state.wv.us/admin/purchase/>)
 - WVU Purchasing (<http://www.state.wv.us/admin/purchase/>)
 - MU Purchasing (<http://www.marshall.edu/purchasing/>)
 - Other state websites, such as the West Virginia Department of Transportation (http://www.wvdot.com/3_roadways/3d10d_contract.htm)
 - WVNET (<http://www.wvnet.edu>)
 - HEPC (<http://wvhepcnew.wvnet.edu/>)
 - GSA (<http://www.gsa.gov/>)
 - NAEB (<http://naebnewengland.org/>)
 - E&I (<https://www.eandi.org/Default.aspx?>)
 - NIGP (<http://www.nigp.com/nigp-about-01.jsp>)
 - PAEJPC (<http://paejpc.eschoolbuilder.org/>)
 - Horizon Resource Group (<http://www.horizonrg.com/>)
 - Google searches
- Contact with other institutions
- Contact with vendors

Appendix E: Agency Response

David K. Hendrickson
Chair



Brian Noland
Chancellor

West Virginia Higher Education Policy Commission

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July 1, 2009

Brian Armentrout
Research Manager
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Dear Mr. Armentrout:

Chancellor Noland and I appreciated the opportunity to meet with you and Ms. Baker earlier this week to review the performance audit of the cooperative purchasing practices of the higher education institutions. We generally agree with the audit recommendations and will encourage the institutions not currently affiliated with purchasing consortia to become members in order to take advantage of the cost-saving benefits and purchasing efficiencies they offer. We will also renew our efforts and work with the institution procurement officers to develop a central procurement website to serve as a resource for them to obtain information about higher education and State Purchasing contracts, contracts of purchasing consortia serving higher education institutions, and opportunities to consolidate certain purchases to gain greater savings.

I would like to offer the following observations concerning the findings in the audit report for consideration:

- Forty-five percent of the institution's purchases for the audit period were made using cooperative contracts. While we may be able to improve on this ratio, we consider this to be a respectable percentage of the total purchases made when contracts are used.
- As noted in the report, the institutions have become more autonomous in recent years in managing their purchasing needs, and for several years Marshall University and West Virginia University have had complete autonomy from the Commission's purchasing rule and purchasing procedures; so participation in developing and using a central procurement website would be voluntary on the institutions' part.

Brian Armentrout
July 2, 2009
Page 2

Again, thank you for the audit exit conference, and if you have questions or comments concerning this letter, please do not hesitate to contact me.

Sincerely,



Richard B. Donovan
Chief Financial Officer

cc: Dr. Brian Noland
Ms. Tina Baker



WEST VIRGINIA LEGISLATIVE AUDITOR

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