



JIM JUSTICE
GOVERNOR

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
Purchasing Division
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CHARLESTON, WEST VIRGINIA 25305-0130

JOHN A. MYERS
CABINET SECRETARY
W. MICHAEL SHEETS
DIRECTOR

January 1, 2018

The Honorable Mitch Carmichael
President of the State Senate
Room 229M, Building 1
State Capitol Complex
Charleston, WV 25305

The Honorable Tim Armstead
Speaker of the House
Room 228M, Building 1
State Capitol Complex
Charleston, WV 25305

SUBJECT: Legislative Reporting Requirement §5A-3-10(b)

Dear Sirs:

In accordance with *West Virginia Code* §5A-3-10(b), as acting director of the West Virginia Purchasing Division, I am required to submit in January and July of each year to the Joint Committee on Government and Finance a report summarizing our division's findings of any spending unit which awarded multiple contracts for the same or similar commodity or service to an individual vendor over any 12-month period with a value exceeding \$25,000.

This section of the Code reads:

§5A-3-10. Competitive bids; publication of solicitations for sealed bids; purchase of products of nonprofit workshops; employee to assist in dealings with nonprofit workshops.

(b) The director shall solicit sealed bids for the purchase of commodities and printing which is estimated to exceed twenty-five thousand dollars. No spending unit shall issue a series of requisitions or divide or plan procurements to circumvent this twenty-five thousand dollar threshold or otherwise avoid the use of sealed bids. Any spending unit which awards multiple contracts for the same or similar commodity or service to an individual vendor over any twelve-month period, the total value of which exceeds twenty-five thousand dollars, shall file copies of all contracts awarded to the vendor within the twelve preceding months with the director immediately upon exceeding the twenty-five thousand dollar limit, along with a statement

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explaining how the multiple contract awards do not circumvent the twenty-five thousand dollar threshold. If the spending unit does not immediately report to the director, the director may suspend the purchasing authority of the spending unit until the spending unit complies with the reporting requirement of this subsection. The director may conduct a review of any spending unit to ensure compliance with this subsection. Following a review, the director shall complete a report summarizing his or her findings and forward the report to the spending unit. In addition, the director shall report to the Joint Committee on Government and Finance on the first day of January and July of each year the spending units which have reported under this subsection and the findings of the director.

For the period of July 1, 2017, through December 31, 2017, there were no spending units that reported to our division the award of multiple contracts for "the same or similar commodity or service to an individual vendor over any 12-month period," where the total value of which exceeds twenty-five thousand dollars. However, the Purchasing Division inspectors discovered findings relating to two (2) different spending units during their reviews as stipulated in this section of the Code. The spending units were the Department of Military Affairs and Public Safety (Kenneth Honey Rubenstein Juvenile Center) and the Department of Transportation, Division of Highways (Central Office). A summary of these findings is attached.

Pursuant to this requirement, my next report will be submitted to you in July of 2018. Should you have any questions regarding this correspondence, please feel free to contact me at your convenience at (304) 558-0492 or via e-mail at **William.M.Sheets@wv.gov**.

Sincerely,



W. Michael Sheets, CPPO, Director
West Virginia Purchasing Division

WMS:dhb

West Virginia Purchasing Division
SUMMARY OF STRINGING ACTIVITIES
(July 1, 2017- December 31, 2017)

Department of Military Affairs and Public Safety, Kenneth Honey Rubenstein Juvenile Center:

- 1) During the fiscal year under review, the Kenneth Honey Rubenstein Juvenile Center made three purchases for electrical services with Infinity Electric, Inc. Total expenditures with this vendor indicate that a series of requisitions or purchase orders were issued for the same or similar commodity or service in the amount of \$25,799.68 in 3 transactions.

In the agency's response to the inspection report, the agency stated that:

Infinity Electric Purchase construed as stringing. I adamantly differ with this finding and offer the following explanation. We had a major electrical problem in one of our cottages. We contacted Infinity Electric Company and had them come in to ascertain the problem. Their invoice was for "trouble shooting" only in the amount of \$1,150.44. After being informed on the scope of this project, a request for proposal was then initiated. A pre-bid meeting was conducted on 6/9/2016 with our procurement officer from DJS in attendance. Two companies attended the pre-bid meeting. After securing all documentation, the RFQ was awarded to Infinity Electric, Inc. for \$24,649.24. We felt that all procedures were properly handled and certainly have no control over who is the lowest bidder. We feel that the two invoices were for "stand alone" events, and should not be construed as stringing on our part. We will continue to follow all proper purchasing procedures.

In the Purchasing Division's response to the agency comments, the Purchasing Division referenced the **West Virginia Purchasing Procedures Handbook Section 5.1:**

Amounts spent with vendors are viewed comprehensively. State agencies should continuously monitor their expenditures with vendors to ensure that the total amount spent with a given vendor, within any 12-month period, does not exceed an applicable bid threshold without the proper level of documentation and bidding. As an example, an agency will have exceeded the \$25,000 limit in the following scenarios: Agency makes multiple payments to a single vendor that aggregate to \$25,000.01 or more within a twelve (12) month period. The finding stands.

Department of Transportation, Division of Highways, Central Office:

- 1) During the fiscal year under review, Division of Highways, Central Office spent a total of \$35,556.91 in 6 transactions for equipment parts from Mo Trim.

- 2) During the fiscal year under review, Division of Highways, Central Office spent a total of \$29,994.00 in 2 transactions for equipment parts and service from Communication Service Inc.

- 3) During the fiscal year under review, West Virginia Division of Highways, Central Office purchased auto parts with the five vendors listed below. Total expenditures with these five vendors indicate that a series of requisitions or purchase orders were issued for the same or similar commodity or service in the amount of \$93,065.96 in 808 transactions. These expenditures include the following vendors:
 - a. \$ 4,939.62 with Advance Auto Part
 - b. \$ 18,207.91 with Fisher's Auto Parts Inc.
 - c. \$ 18,716.00 with Jenkins Ford
 - d. \$ 44,233.74 with NAPA Store
 - e. \$ 6,968.69 with Rastle Auto Parts

Although multiple requests were made, no response was received from the Division of Highways Central Office to the findings of stringing identified in the inspection report.