



November 2015  
PE 15-11-578

## ANNUAL PURCHASING PERFORMANCE AUDIT

# INSTITUTIONS FOR HIGHER EDUCATION WVU-PARKERSBURG

### AUDIT OVERVIEW

West Virginia University at Parkersburg Violated Competitive Bidding Requirements in Three Cases, and in Several Contracts Totaling at Least \$2 Million That Should Have Been Competitively Bid, WVUP Did Not Have Sufficient Documentation to Determine if Competitive Bidding Actually Occurred



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## EXECUTIVE SUMMARY

The Performance Evaluation and Research Division (PERD) within the Office of the Legislative Auditor conducted a higher education purchasing audit of West Virginia University at Parkersburg (WVUP) as required by W.Va. Code §18B-5-4(r). The objective was to determine if WVUP has complied with state code and the Higher Education Purchasing Procedures Manual, and internal purchasing policies.

### **Frequently Used Acronyms in this Report:**

PERD- Performance Evaluation and Research Division

WVUP- West Virginia University at Parkersburg

WVU- West Virginia University

HEPC- Higher Education Policy Commission

### **Report Highlights**

**Issue 1: West Virginia University at Parkersburg Violated Competitive Bidding Requirements in Three Cases, and in Several Contracts Totaling at Least \$2 Million That Should Have Been Competitively Bid, WVUP Did Not Have Sufficient Documentation to Determine if Competitive Bidding Actually Occurred.**

- Of the 22 contract files examined for documentation of competition, 6 of WVUP's files did not have sufficient documentation to support that competition occurred.
- In three cases, WVUP split purchase card transactions over a relatively short period of time totaling over \$235,000 for three separate projects, each of which should have been competitively bid.
- WVUP did not competitively acquire architectural and engineering services totaling over \$120,000 in 42 transactions pursuant to W.Va. Code §5G-1-4.
- PERD reviewed and confirmed that WVUP had physical custody of 497 of 498 computers and computer-related equipment that were purchased during the scope of this audit.

### **PERD's Response to the Agency Written Response**

PERD received a written response to the report from WVUP on November 5<sup>th</sup>, 2015. WVUP agrees with all the report's recommendations. In his response, President Lamkin does not dispute any of the information or methods utilized by PERD in the preparation of the report. The President notes that previous to his appointment, there was frequent turnover in purchasing staff and says the new staff are making changes in purchasing policy. These changes include the creation of a new position (Vice President of Finance and Administration), new purchase card procedures, a new filing system, and new standards for documentation within purchasing files.

## **Recommendations**

1. *WVUP should follow WV Code §5G-1-4 for competitively procuring architectural services.*
2. *WVUP should follow competitive bidding requirements for goods and services.*
3. *WVUP should ensure that its purchasing practices and documentation are in compliance with state law and the rules of the higher education.*
4. *The Legislative Auditor recommends that WVUP consider utilizing the acquisition planning process similar to the West Virginia Purchasing Division.*
5. *The Council for Community and Technical College Education should assist the new WVUP purchasing staff to ensure that it follows proper purchasing procedures.*

## ISSUE1

### **West Virginia University at Parkersburg Violated Competitive Bidding Requirements in Three Cases, and in Several Contracts Totaling at Least \$2 Million That Should Have Been Competitively Bid, WVUP Did Not Have Sufficient Documentation to Determine if Competitive Bidding Actually Occurred.**

#### **Issue Summary**

West Virginia University at Parkersburg's (WVUP) purchasing practices did not comply with state law, higher education purchasing guidelines or its own purchasing policies for the 2012-2014 audit scope. In three cases, WVUP split purchase card transactions over a relatively short period of time totaling over \$235,000 for three projects, each of which should have been competitively bid. In addition, the Performance Evaluation and Research Division's (PERD) review of 22 contracts, with a value totaling at least \$14 million, for fiscal years 2012 through 2014 revealed that none of the contract files had all of the required documentation. Fifteen (15) of the contract files had enough documentation that suggest competitive bidding likely occurred, while 6 files, totaling at least \$2 million, did not have sufficient documentation for PERD to determine if competitive bidding actually occurred. Another contract, valued at \$4 million, was entered into when WVUP was part of West Virginia University (WVU), and according to WVUP, it did not have any documentation because the contract was administered by WVU. The missing documentation for these contracts were items such as the contract, advertisements for vendor proposals, bid proposals from multiple vendors, or bid tabulation forms assessing each vendor's qualifications, proposals or bids. Due to missing documentation, the exact value of contracts could not be determined. All of the contracts were largely for construction and renovation projects occurring at WVUP's main or downtown campus. Finally, PERD reviewed and confirmed that WVUP had physical custody of 497 of 498 computers and computer-related equipment that were purchased during the scope of this audit. The one item not located was a projector purchased at a price of \$331.

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*West Virginia University at Parkersburg's (WVUP) purchasing practices did not comply with state law, higher education purchasing guidelines or its own purchasing policies for the 2012-2014 audit scope.*

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#### **Background**

PERD has previously reviewed WVUP's purchasing practices. The purchasing performance audit released July 2011 found that WVUP had expended over \$1.2 million dollars with one Florida vendor for computers and computer peripherals without considering other vendors. Moreover, WVUP used part of a workforce development grant to train residents of other states in those states with equipment and personnel paid for by the grant. In a November 2011 audit, PERD reported that

WVUP's food services contract violated the state constitution and state law. Furthermore, WVUP was accepting donations from vendors with whom it has a regular business relationship and its purchasing card internal controls were weak. In a November 2012 follow-up review, PERD found that WVUP had stopped purchasing goods from the Florida vendor identified in the July 2011 audit.

In addition to PERD's findings, a court of law convicted a former WVUP buyer on April 1<sup>st</sup>, 2015 for fraudulent schemes and fraudulent or unauthorized use of a purchasing card. The court found the buyer guilty of spending \$54,000 of the community college's money for personal use from January 2009 to October 2013. Given the audit findings and the conviction of the WVUP employee, PERD reviewed the WVUP's purchase card use and adherence to competitive purchasing.

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*WVUP identified 22 contract files involving 16 vendors. These contracts totaled at least \$14 million for goods and services and they should have been competitively bid. However, none of the contract files had all of the required documentation for competitive bid contracts.*

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## **WVUP Did Not Have Sufficient Documentation for Several Contracts to Determine If Competitive Bidding Occurred.**

PERD requested that WVUP provide its active contracts for the scope of the audit. WVUP identified 22 contract files involving 16 vendors. These contracts totaled at least \$14 million for goods and services and they should have been competitively bid. However, none of the contract files had all of the required documentation for competitive bid contracts. Some of the missing documentation included:

- evidence that WVUP advertised the opportunity to bid,
- evidence that WVUP considered more than one vendor,
- evidence of how and why WVUP selected the chosen vendor,
- evidence that WVUP notified a vendor that it had been selected, and
- evidence of a contract.

HEPC policy requires that contract files contain written contracts, agreements, bid packages, bid award letters, bid opening tabulations, advertisement for bids and purchase orders associated with purchases. While none of the contract files had complete documentation, PERD was able to conclude that 15 contracts were likely competitively bid. Six of the remaining seven contracts, valued at \$2 million, did not have sufficient documentation to support they were competitively bid, and one contract, valued at \$4 million, was entered into when WVUP was part of WVU. According to WVUP, this contract was bid out by WVU and therefore, all of the documentation was maintained by WVU. WVUP is required to continue making payments on its share of that contract.

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*While none of the contract files had complete documentation, PERD was able to conclude that 15 contracts were likely competitively bid. Six of the remaining seven contracts, valued at \$2 million, did not have sufficient documentation to support they were competitively bid, and one contract, valued at \$4 million, was entered into when WVUP was part of WVU.*

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PERD discussed with WVUP purchasing staff the six contracts that had insufficient documents to determine if competitive bidding occurred. WVUP indicated that these six contracts were for construction and renovation projects on WVUP's main and downtown campuses. According to WVUP, it gave the architecture firms that designed the renovation projects the responsibility to bid the contracts for the construction of the projects. WVUP indicated that all of the bid documents were maintained by the architecture firms, Pickering Associates, and Paradigm. WVUP requested the bid documents from the architecture firms and provided them to PERD. PERD examined the documents and while we cannot say that all the required documentation was provided, we can say that these six contracts were likely competitively bid. PERD also observed that WVUP staff were involved in the evaluation of the construction companies.

However, it should be noted in these six contracts that while it is not uncommon for state agencies to receive assistance or consultation in the bidding process from outside entities or personnel, it is WVUP's responsibility to maintain all documentation associated with the bid process. The bid documents for these six contracts should have been with WVUP, not the architectural firms. Under the State's Public Records Management and Preservation Act (§5A-8-9(b)), the head of each agency shall:

*Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities.*

Since the bid documents represent the function, procedure, decision and transaction of WVUP, such documents should have been maintained by WVUP to protect the legal and financial interests of the State and WVUP staff. If a vendor challenged an award to another vendor, the lack of this documentation could present legal problems or complications in starting or completing contracted work.

In addition to incomplete contract files, PERD found that other purchasing procedures were not followed. For example, prior to any purchase, a requisition form is required to request approval for purchase and signature approval is required on the form. PERD found in its review of a sample of invoices and purchase card transactions that:

- 32 percent, or 148, of 466 invoices had purchase dates that were before the requisition dates, and
- nearly 37 percent of 292 purchase card transactions did not have the necessary approvals.

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*WVUP indicated that all of the bid documents were maintained by the architecture firms, Pickering Associates, and Paradigm. WVUP requested the bid documents from the architecture firms and provided them to PERD. PERD examined the documents and while we cannot say that all the required documentation was provided, we can say that these six contracts were likely competitively bid.*

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*PERD found in its review of a sample of invoices and purchase card transactions that 32 percent, or 148, of 466 invoices had purchase dates that were before the requisition dates, and nearly 57 percent of 292 purchase card transactions did not have the necessary approvals.*

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PERD concludes that WVUP's purchasing was done in a manner that often ignored proper procedures.

### **There Are Three Instances Where WVUP Split Purchases That Circumvented Competitive Bidding Requirements.**

During the scope of the audit, WVUP initiated three separate projects each of which had a single vendor receive \$54,532, \$33,554, and \$149,324 respectively, for a total of \$237,410 for all three projects. Competitive bidding was avoided in each of these projects because the procurements were divided into 32 separate transactions that were individually less than \$25,000.<sup>1</sup> WVUP's purchasing manual states that: "*All orders less than \$25,000 do not require competitive bidding by State regulations as amended for Higher Education. **However, requisitioners must ensure they not artificially divide requisitions in order to avoid bidding dollar thresholds.** This practice is commonly referred to as "split purchasing."* [emphasis added] These projects exhibit the practice of split purchasing or stringing.

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*Competitive bidding was avoided in each of these projects because the procurements were divided into 32 separate transactions that were individually less than \$25,000.*

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Although the terms "split purchasing" and "stringing" are not statutorily defined for state agencies or higher education institutions, statutory language is the basis for how the practice of split purchasing is understood, which is a practice of issuing "*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*" (W. Va. 5A-3-10(b)). This language is similar to WVUP's purchasing manual. The three projects that involved the split purchasing are each described below.

#### Internet Technology Wiring Project

WVUP paid ProComm Technologies \$54,532 for one project that was divided into 15 separate transactions over 4 months. In January 2012, following findings by the State Fire Marshall, WVUP was required to replace the internet technology wiring in one location on its Parkersburg campus. Subsequently, WVUP's then Chief Information Officer directed the purchasing office to procure for rewiring for the Parkersburg campus. Given the nature of the expansion, WVUP should have known that such a project would cost in excess of \$25,000 when examining the cost of labor, materials, and hours of work required. WVUP did not advertise for bids or enter into a contract for services. There is no evidence that sole-source or emergency procurement was requested or justified.

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*Given the nature of the expansion, WVUP should have known that such a project would cost in excess of \$25,000 when examining the cost of labor, materials, and hours of work required.*

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Table 1 illustrates all of WVUP's purchase amounts and transaction dates

<sup>1</sup> It should be noted that during the scope of this audit, the bid threshold was \$25,000. However, in the 2015 legislative session, the Legislature increased the threshold to \$50,000 for higher education institutions. The threshold for state agencies under the Purchasing Division remains at \$25,000.

to the single vendor.

<b>Date of Transaction</b>	<b>Value of Transaction</b>	<b>Number of Separate Transactions Within the Same Day</b>	<b>Cumulative Value of Transactions</b>
01/04/2012	\$4,355	1	\$4,355
01/10/2012	\$3,216	1	\$7,571
01/24/2012	\$8,576	1	\$16,147
02/07/2012	\$5,360	2	\$21,507
02/15/2012	\$3,126	1	\$24,633
02/21/2012	\$1,474	1	\$26,107
02/29/2012	\$5,159	1	\$31,266
03/07/2012	\$4,573	1	\$35,839
03/20/2012	\$8,308	2	\$44,147
03/27/2012	\$1,273	1	\$45,420
04/03/2012	\$3,216	1	\$48,636
04/24/2012	\$5,896	2	\$54,532

*Source: PERD analysis of WVUP purchase card transactions.*

### Solar Energy Project

Two WVUP purchasing buyers made a separate purchase from the same vendor on two consecutive days that totaled \$33,554. WVUP purchased solar tools and equipment for a Solar Energy Project. The first buyer made a purchase for \$8,925 on March 29<sup>th</sup>, 2012. The second buyer expended \$24,629 the next day, March 30<sup>th</sup>. There is no evidence that sole-source or emergency procurement was requested or justified.

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*Two WVUP purchasing buyers made a separate purchase from the same vendor on two consecutive days that totaled \$33,554.*

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### Culinary Arts Project

WVUP paid C&T Design and Equipment \$149,324 in 17 transactions over 4 months for its Culinary Arts Program. On August 6<sup>th</sup>, 2013 alone, one buyer made five transactions that totaled \$36,391. Table 2 shows all of the dollar amounts and transaction dates. The nature of this project suggests that it should have been known in advance that the necessary equipment needed for the Culinary Arts Program would be well in excess of \$25,000. There is no evidence that sole-source or emergency procurement was requested or justified.

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*WVUP paid C&T Design and Equipment \$149,324 in 17 transactions over 4 months for its Culinary Arts Program.*

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**Table 2**  
**Culinary Arts Project**  
**Transactions to C&T Design and Equipment**

<b>Date of Transaction</b>	<b>Value of Transaction</b>	<b>Number of Separate Transactions on the Same Day</b>	<b>Cumulative Value of Transactions</b>
04/22/2013	\$5,925	1	\$5,925
06/11/2013	\$1,627	1	\$7,551
06/13/2013	\$13,175	1	\$20,726
07/02/2013	\$2,324	1	\$23,050
07/08/2013	\$23,198	1	\$46,248
07/11/2013	\$12,464	1	\$58,712
07/16/2013	\$10,201	2	\$68,913
07/22/2013	\$23,474	1	\$92,387
08/06/2013	\$36,391	5	\$128,777
08/12/2013	\$14,133	1	\$142,910
08/13/2013	\$6,414	2	\$149,324

*Source: PERD analysis of WVUP purchase card transactions.*

### **WVUP Did Not Competitively Acquire Architectural Services.**

WVUP did not competitively acquire architectural services as required by WV Code. Architectural and engineering services have different purchasing requirements when compared to other commodities and services. WV Code §5G-1-4 requires,

*In the procurement of architectural and engineering services for projects estimated to cost less than two hundred fifty thousand dollars, competition shall be sought by the agency. The agency shall conduct discussions with three or more professional firms solicited on the basis of known or submitted qualifications for the assignment prior to the awarding of any contract: Provided, That if a judgment is made that special circumstances exist and that seeking competition is not*

*practical, the agency may, with the prior approval of the director of purchasing, select a firm on the basis of previous satisfactory performance and knowledge of the agency's facilities and needs. After selection, the agency and firm shall develop the scope of services required and negotiate a contract.*

WVUP should have used competitive procurement when it acquired architectural services from one vendor pursuant to law. In FY 2012, WVUP paid the vendor \$120,498 in 42 separate transactions. WVUP did not provide evidence that it held competitive discussions for the architectural services as statutorily required or that special circumstances existed to dictate that competition was not practical.

The expectation is that competition will ensure the community college receives fair value by contracting with the lowest cost and best vendors. Competition also helps ensure all potential vendors are provided an opportunity to participate for the community college's business. WVUP should maintain complete documentation of all competitive discussions and justifications for vendor selection.

## **Sampled Tangible Property Purchased Was Physically Located.**

PERD conducted an inventory review to confirm whether WVUP had physical custody of 498 computers and computer-related equipment that were purchased during the scope of this audit. PERD then conducted an inventory review, locating 356 items. WVUP then located another 141 for a total of 497. The one item not located was a projector, purchased on January 29<sup>th</sup>, 2013 for \$331.

## **Conclusion**

Competitive procurement is an essential component of the purchasing process. Competition ensures that state funds are used to obtain the highest quality goods and services for the lowest prices. WVUP's purchasing practices did not comply with proper procedures and competitive procurement was inadequately emphasized from FY 2012 through FY 2014. Additionally, WVUP had not made sufficient progress during the scope of the audit in strengthening its purchasing practices since previous findings were made by PERD. The Legislative Auditor recognizes that the current procurement staff are new and were not employed during the scope of the audit. The new staff has indicated that

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*In FY 2012, WVUP paid the vendor \$120,498 in 42 separate transactions. WVUP did not provide evidence that it held competitive discussions for the architectural services as statutorily required or that special circumstances existed to dictate that competition was not practical.*

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*The Legislative Auditor recognizes that the current procurement staff are new and were not employed during the scope of the audit. The new staff has indicated that changes have been made to strengthen procedures, but these procedures were not audited or examined by PERD.*

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changes have been made to strengthen procedures, but these procedures were not audited or examined by PERD. Nevertheless, current staff needs to ensure that it complies with proper purchasing procedures and improves the control environment to encourage competitive purchasing.

## **Recommendations**

1. *WVUP should follow WV Code §5G-1-4 for competitively procuring architectural services.*
2. *WVUP should follow competitive bidding requirements for goods and services.*
3. *WVUP should ensure that its purchasing practices and documentation are in compliance with state law and the rules of the higher education.*
4. *The Legislative Auditor recommends that WVUP consider utilizing the acquisition planning process similar to the West Virginia Purchasing Division.*
5. *The Council for Community and Technical College Education should assist the new WVUP purchasing staff to ensure that it follows proper purchasing procedures.*



## Appendix A Transmittal Letter

### WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

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John Sylvia  
Director

October 28<sup>th</sup>, 2015

Dr. Fletcher Lampkin, President  
West Virginia University at Parkersburg  
300 Campus Drive  
Parkersburg, WV 26104

Dear President Lampkin:

This is to transmit a draft copy of the higher education purchasing audit of West Virginia University at Parkersburg. This report is scheduled to be presented during the November 15<sup>th</sup> – 16<sup>th</sup>, 2015 interim meeting of the Joint Committee on Government Operations, and the Joint 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 committee members may have during or after the meeting.

We need to schedule an exit conference via conference call to discuss any concerns you may have with the report. We would be available for a meeting as early as Thursday, October 29<sup>th</sup> through Monday, November 2<sup>nd</sup>, 2015. Please notify us to schedule an exact time and day. Please contact the Community and Technical College System to arrange for a representative to be available for the conference call. In addition, we need your written response by noon on Thursday, November 5<sup>th</sup>, 2015 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 304-340-3192 by 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,

  
John Sylvia

***Joint Committee on Government and Finance***

Enclosure

cc: Sarah Tucker, Chancellor of West Virginia Council for Community and Technical College Education

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## Appendix B

# Objective, Scope and Methodology

The Performance Evaluation and Research Division (PERD) within the Office of the Legislative Auditor conducted this annual performance audit on the purchasing functions of West Virginia University at Parkersburg Community and Technical College (WVUP) as required and authorized by West Virginia Code §18B-5-4(r). The purpose of WVUP, as established in West Virginia Code §18B-3C-4 and §18-3C-8, is to identify high-demand, high-wage occupations and develop programs of study leading to industry-recognized credentials, certificates or associate degrees as part of the State's network of independently accredited community and technical colleges. Pursuant to West Virginia Code §18B-3C-4, WVUP is to serve as a facilitating institution for the counties of Tyler, Pleasants, Ritchie, Wood, Wirt, Jackson and Roane.

### Objective

The purpose of this review is to determine if WVUP complied with state purchasing requirements, the State Auditor's Purchasing Card Policy and Procedures, the Higher Education Policy Commission's (HEPC) Purchasing Procedures Manual, and WVUP purchasing policies regarding contracts, purchase cards, invoice purchases, and inventory.

### Scope

The scope of this review consisted of the period from July 1, 2011 through June 30, 2014. PERD reviewed contracts that were active during the scope, purchase card transactions, invoice purchases, and inventory control.

### Methodology

PERD gathered and analyzed several sources of information and conducted audit procedures to assess the sufficiency and appropriateness of the information used as audit evidence. The information gathered and audit procedures are described below.

In order to gain an understanding of WVUP's purchasing policies, the nature of projects that were procured, and of the documentation, testimonial evidence was gathered through personal interviews and site visits to WVUP which were confirmed by written statements and in some cases corroborating evidence. Since fraudulent activity occurred at WVUP and the institution's practices during the scope of the audit did not comply with purchasing procedures, PERD developed audit procedures to determine if fraudulent activity may have occurred. PERD took inventory of a sample of purchases of tangible goods. Physical evidence to confirm the existence of the tangible goods was obtained through the auditors' observations and scanning the identification data for each item. For other items that were not present for the auditors to observe, WVUP staff provided physical evidence (photographs and identification data) for each item. PERD was able to conclude with reasonable assurance that items purchased during the scope of the audit were in possession of WVUP.

In order to determine if WVUP followed purchasing procedures and maintained appropriate documentation, PERD reviewed contract files, purchase card files, and invoice files. PERD examined those contracts that were active during the scope of the audit. The criteria for proper purchasing procedure as well as documentation requirements were obtained from the HEPC's Purchasing Procedures Manual, higher education purchasing law, HEPC legislative rules, state code (W. Va. 5G-1), and the State Auditor's Purchasing Card Policy and Procedures. In order to identify if split purchasing occurred to avoid the \$25,000 threshold for competitive bidding, PERD obtained transaction data from the State Auditor's Office that indicated the dates, vendor name, and transaction amounts, all of which were used to detect possible transactions that were close to or exceeded \$25,000 to the same vendor. The sample was selected by identifying multiple transactions to

the same vendor in a relatively short time that were close to or exceeded \$25,000. The State Auditor's data were cross-referenced with WVUP's files for contracts, purchase card transactions and invoices. There were no discrepancies in the cross-references. PERD determined that the evidence used for these purposes was sufficient and appropriate. PERD did not conduct procedures on the State Auditor's Financial Information Management System data because the Legislative Auditor considers it an authoritative source under generally accepted government auditing standards (GAGAS) A6.05c.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix C Agency Response



Office of the President

October 30, 2015

Mr. John Sylvia  
Joint Committee on Government & Finance  
Building 1, West-314  
1900 Kanawha Blvd East  
Charleston, WV 25305-0610



RE: West Virginia University at Parkersburg  
PERD Legislative Audit Findings

Dear Mr. Sylvia,

Please accept this letter as our response to the report issued on the recently completed higher education audit for West Virginia University at Parkersburg (WVUP). We agree with the recommendations identified by the legislative auditors and accept full responsibility for correcting the deficiencies noted. We acknowledge that there were material weaknesses in our purchasing procedures during the period under audit. However, we want to ensure that the members of the legislative oversight committee and others reading this report understand our position on the auditor's comments in the Issue Summary section of the report. The report indicates that the auditors did not find sufficient information to determine if WVUP was bidding capital projects as required by state law. Because we do not have the expertise necessary to develop bid specifications for capital projects, it is our practice to hire architectural & engineering (A&E) firms to develop the bid specs and assist us in bidding these projects. We are responsible for evaluating all bid submission data and in making all decisions regarding contracting for construction services. However, the A&E firm's participation is an important component in ensuring that the bids are conducted in accordance with state laws and regulations. We have subsequently corrected the weaknesses in our filing system and implemented procedures to ensure that our accounting records clearly reflect that all capital projects were properly bid.

Although I was not employed by WVUP during the period under audit, I am committed to operating the college in a manner that is compliant with WV laws and regulations. As a retired Brigadier General in the United States Army and throughout my long and distinguished career in higher education, I have conducted myself with honesty and integrity and expect nothing less from those who work with me.

Our Vice President of Finance and Administration who was hired on July 1, 2014 recognized even before your audit team arrived in November 2014 that our purchasing system contained material weaknesses. We believe the primary cause for the failures in our purchase process was a lack of qualified leadership to oversee this critical function. During the period from 2010 to 2014, there were five different Chief Financial Officers (CFO) and five different Chief Purchasing Officers (CPO). Also, there were long periods during this time when one or both of these positions were vacant or filled by an interim. As a result, the college's policies and procedures were weakened and or simply not enforced.

In October 2013, the college became aware of a potential purchase card fraud. As required by West Virginia code, the college immediately notified the State Auditor's office to request a fraud examination.

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*An Equal Opportunity/Affirmative Action Institution*



Discovery of the purchase card fraud forced the college to take a hard look at our purchasing systems. This on-going process resulted in the following changes:

1. The CFO and CPO in place at the time when the fraud was committed were terminated. Additionally, by April 2014 100% of our purchasing department staff had been replaced. None of the employees who were involved in the violations noted in our report are currently employed by the college.
2. In February 2014, the college created a new position, Vice President of Finance & Administration, whose job responsibilities include the overall supervision of both the business and purchasing offices. On July 1, 2014, after a nationwide search, we hired Alice M. Harris, CPA to fill the role this position. Ms. Harris has over 30 years of experience as a CPA. She has spent the majority of her career providing audit and accounting services to various nonprofit and governmental entities. As a result, she has a great deal of experience in evaluating and implementing effective internal controls. Within her first two weeks of service to the college, Ms. Harris recognized that developing and implementing new purchasing procedures was an immediate need of the college and began the process of developing those procedures.
3. New purchase card procedures were developed and distributed to the campus community on September 16, 2014. These procedures were updated in January 2015 and again in June 2015 as additional elements were added to strengthen the controls. Additionally, the college's purchasing procedures were revised and published in our Answer Book on November 18, 2014. All purchase card holders received training to become familiar with the new procedures and a town hall meeting was held for the entire WVUP campus community in November 2014 for the purpose of explaining the new purchasing procedures to all of our employees. The revised purchasing procedures are designed to ensure proper segregation of duties in the purchasing process and include the following:
  - All purchases require a properly completed and approved purchase requisition.
  - All purchases greater than \$3,000 require that the purchaser obtain price comparisons or provide proper documentation as to why price comparisons could not be obtained.
  - The Vice President of Finance & Administration reviews all purchase requisitions in excess of \$3,000 for compliance with procedures. All purchase requisitions less than \$3,000 are reviewed by the Director of Business Services acting as CPO prior to the purchase being made.
  - An employee not involved with the purchasing process assigns the accounting string used to properly record the purchase in our general ledger.
  - We developed a sole source documentation form to provide proper documentation in all instances where price comparisons were not obtained.
  - The Director of Business Services performs a monthly reconciliation of purchase card transactions. The college uses this process to ensure compliance with our purchase card policies and to identify weaknesses in our system. If the reconciliation process identifies any errors or noncompliance with our purchasing policies, we reach out to the faculty or staff involved and provide them with additional training and education about our purchasing procedures so that these errors will not reoccur in the future.
  - At least once per quarter, but generally monthly, all purchase card transactions are reviewed and reconciled by the Vice President of Finance & Administration.
  - We developed written receiving procedures and created a central receiving department operated by an employee who is independent of any other purchasing function. This employee receives and signs off for the receipt of all goods purchased by the college.

- We utilize state approved vendors where possible to take advantage of the beneficial terms negotiated by the state purchasing office.
  - We developed procedures to ensure that we fully comply with the requirement to competitively bid purchases in excess of \$25,000 prior to June 2015 or \$50,000 after June 2015.
4. We forwarded the revised purchase card and purchasing procedures to the West Virginia Community & Technical College Education System and to the West Virginia State Auditor's Office for their review and approval.
  5. A new filing system was created to ensure retention of the documentation required to prove that the college utilized proper procurement procedures for those projects where competitive bidding was required. In addition to ensuring that we retain all paper copies, we began scanning and storing these documents in electronic format as a backup in the event that hard copies are misplaced. While we agree with the finding of a lack of supporting documentation, we believe that this documentation existed at one point in time but that staff turnover most likely resulted in the improper filing or retention of these records. We believe our new record retention procedures will prevent this from happening in the future.
  6. During FY 2015, we secured a contract for Architectural and Engineering services through a request for proposal process and have all of the required documentation to support our decision regarding this contract.

In closing I would like to state that because the Vice President of Finance and Administration and I were not employed by the college during the period under audit, we could not have prevented the unfortunate failures of WVUP's purchasing systems. However, we are committed to the process of establishing a climate which demands compliance and ongoing improvements in our systems. We believe that we have made great strides in correcting the control weaknesses and changing the attitudes that led to our noncompliance. We will use the information gained from the audit process to make additional improvements. Feedback regarding our recently completed financial statement audit indicates that our practices are now sound and that we have corrected the deficiencies noted in our previous audit report. Finally, and most importantly, I ask for your forgiveness of past failures and pledge to you that we will ensure that WVUP is a good steward of state resources and that we will comply with all state purchasing laws and regulations.

Respectfully submitted,



Fletcher M. Lamkin, President





WEST VIRGINIA LEGISLATIVE AUDITOR

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