



September 2019  
PE 19-03-625

# PERFORMANCE REVIEW WEST VIRGINIA STATE POLICE

## AUDIT OVERVIEW

The State Police Lacks Written Policies and Procedures Establishing Appropriate Internal Control Over Purchasing.

The State Police Is Not Complying With Its Limited Purchasing Procedural Guidelines.



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# CONTENTS

Executive Summary ..... 5

Issue 1: The State Police Lacks Written Policies and Procedures Establishing Appropriate Internal Control Over Purchasing ..... 9

Issue 2: The State Police Is Not Complying With Its Limited Purchasing Procedural Guidelines..... 17

List of Tables

Table 1: Compliance Rate of Sampled Non P-card Purchases..... 19

Table 2: Non-P-card Purchases in Monetary Thresholds \$0-\$5,000 and \$5,000.01-\$25,000..... 21

Table 3: Non-P-card Purchases Over \$25,000..... 23

Figures

Figure 1: Map of West Virginia State Police Troops and Detachments..... 10

Graphs

Graph 1: State Police Purchases Compliant With Its Limited Procedural Guidelines..... 24

List of Appendices

Appendix A: Transmittal Letter ..... 27

Appendix B: Objectives, Scope and Methodology ..... 29

Appendix C: Agency Response ..... 31



## EXECUTIVE SUMMARY

The Legislative Auditor conducted an Agency Review of the West Virginia State Police pursuant to W.Va. §5A-3-1(e) and subsection (f). As a part of this review, an audit was conducted on State Police purchasing procedures. The West Virginia State Police is an agency consisting of nine troops operating under the Department of Military Affairs and Public Safety. The mission of the State Police is to enforce criminal and traffic laws while providing safety to the State of West Virginia. The highlights of this review are discussed below.

### Frequently Used Acronyms in this Report

PERD: Performance Evaluation and Research Division

RFQ: Request for Quotation

wvOASIS: Our Advanced Solution with Integrated Systems (the system used by state agencies to upload financial information, documentation, and pay vendors)

P-card: Purchase Card

RFP: Request for Proposal

WVSP: West Virginia State Police

### Report Highlights

#### **Issue 1: The State Police Lacks Written Policies and Procedures Establishing Appropriate Internal Control Over Purchasing.**

- Since receiving its requested exemption from the Purchasing Division in July 2017, PERD finds that the State Police has not developed formal written purchasing policies and procedures.
- The State Police has not prioritized establishing purchasing policies and procedures.
- The State Police lacks proper internal control over purchasing, which increase the risk of waste, fraud, and abuse.

#### **Issue 2: The State Police Is Not Complying With Its Limited Purchasing Procedural Guidelines.**

- PERD sampled State Police transactions from calendar year 2018 to review for compliance with its limited purchasing procedural guidelines. PERD found that there were few sampled transactions that were in complete compliance with the agency's limited guidelines.
- The lack of compliance is attributed to a lack of clear written policies and procedures, and enforcement of those procedures. The State Police's current purchasing practices increase the risk of waste, fraud, and abuse.

## Recommendations

1. *The Legislative Auditor recommends that the State Police make it a priority to establish written purchasing policies and procedures that are clearly specific to the agency and, pursuant to W. Va. Code §5A-3-1(g), report the purchasing policies and procedures to the Joint Committee of Government and Finance in the year 2020.*
2. *The State Police should develop its purchasing policies and procedures to establish an adequate internal control environment over purchasing. This should include the dissemination of the policies and procedures to purchasing staff, appropriate training and monitoring of purchasing practices.*
3. *The Legislative Auditor recommends that upon disseminating the State Police purchasing policies and procedures, the State Police formally and consistently train purchasing staff members on its purchasing policies and procedures and use of proper purchasing forms and documents.*
4. *The Legislative Auditor recommends the State Police routinely monitor purchasing practices of its staff to identify and remediate instances of noncompliance to State Police purchasing policies and procedures in a timely manner and to promote risk reduction, cost-effectiveness, and fiducially responsible practices in its agency.*
5. *The Legislative Auditor recommends the State Police utilize formal purchasing policies and procedures that contain safeguards to reduce waste, fraud, and abuse until it has its own. For example, since the State Police stated it uses as much as 95 percent of the Purchasing Division Procedures Handbook, it could utilize the Purchasing Division Procedures Handbook and Purchasing Division online training modules. As a result, staff will have uniform training on purchasing practices that contain safeguards to reduce waste, fraud, and abuse while management constructs its own specific purchasing policies and procedures*

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

On September 10, 2019, PERD received a written response from the agency's Professional Standards Officer. It should be noted that after an exit conference with the State Police on August 29, 2019, PERD revised the original draft in response to documentation the agency provided during the exit conference, some of which was not provided to PERD by the agency during the audit. However, the additional documentation was insufficient to change the overall findings and conclusions of the audit. Among the revisions of the report was a timeline of several State Police statements indicating that the agency did not have anything in writing for policies and procedures from June 22, 2018 to June 4, 2019. PERD requested that the State Police respond to the revised report. The State Police disagreed with the Legislative Auditor's conclusions regarding its purchasing procedures. Some of these issues are as follows:

**Agency Response:** "The request for progress on a purchasing manual was not clearly perceived as a formal request therefore our response was just submitted as bullet statements that we were still working on a manual."

**PERD Response:** PERD communicated these requests for progress on a purchasing manual through formal letters sent to the agency. The PERD entrance letter requested a copy of State Police purchasing policies and procedures. Furthermore, throughout the audit process, the State Police has stated in formal letters that it has nothing in writing regarding its purchasing policies and procedures. In a response the State Police provided to PERD in an official letter in May 2019, the State Police stated the following: “As of May 6, 2019, the State Police has not completed a purchasing policies and procedures manual and is in the process of constructing one. There is no timeline for its completion.”

**Agency Response:** “We have provided all documentation requested and the evidence submitted was pulled from OASIS just not where PERD determined it should be. There has been no formal training for OASIS as to where forms are placed, our forms are placed in the same locations currently as they were before our exemption and there were no issues during past Purchasing audits.”

**PERD Response:** The State Police did not provide all documentation requested. At the conclusion of this audit, there are still missing elements such as: bids, requisition forms, signatures of approval, and Request for Quotation documents. At the exit conference, the State Police provided PERD with documentation not previously provided by the agency when PERD requested such documentation for the sampled purchases. However, as previously stated, this documentation did not contain all elements necessary to comply with State Police procedural guidelines. The State Police informed PERD that the documents it provided were in the wvOASIS system. PERD was able to locate some of these documents in wvOASIS; however, they were not located in what the WV Enterprise Resource Planning Board considers to be the best or typical location. Moreover, some of the hard-copy documents provided at the exit conference were not in wvOASIS. This is important because the agency originally stated that everything for the sampled purchases was in wvOASIS, but this is not the case. Not only did the documents provided by the agency still have missing components such as requisition forms, approval signatures, requisitions, and Request for Quotation documents, but the wvOASIS documents lacked these elements as well. Although PERD retrieved more documentation in wvOASIS that we became aware of after the exit conference, the findings and conclusions of the audit still stand.





## ISSUE 1

### **The State Police Lacks Written Policies and Procedures Establishing Appropriate Internal Control Over Purchasing.**

#### **Issue Summary**

Pursuant to W. Va. Code §5A-3-1(e) and subsection (f), the Legislative Auditor is required to audit the purchasing procedures of the West Virginia State Police (WVSP) in the calendar years of 2018 and 2019. The Performance Evaluation and Research Division (PERD) was assigned this audit and we examined the agency's purchasing policies and procedures and their adequacy in terms of establishing appropriate internal control. In addition, we evaluated the WVSP's compliance with its purchasing procedures, which is discussed in Issue 2.

Since receiving its requested exemption from the Purchasing Division in July 2017, PERD finds that the WVSP has not developed formal written purchasing policies and procedures. PERD further finds the WVSP has not prioritized establishing purchasing policies and procedures. In fact, the WVSP does not have a timeline for completing and implementing these policies and procedures two years after receiving the exemption. As a result, the agency lacks proper internal control over purchasing, which increases the risk of waste, fraud and abuse. Therefore, the Legislative Auditor recommends that the West Virginia State Police establish its own written purchasing policies and procedures. These should contain components of a good internal control model in order to reduce the risks of fraud and abuse and to promote consistency in its purchasing practices.

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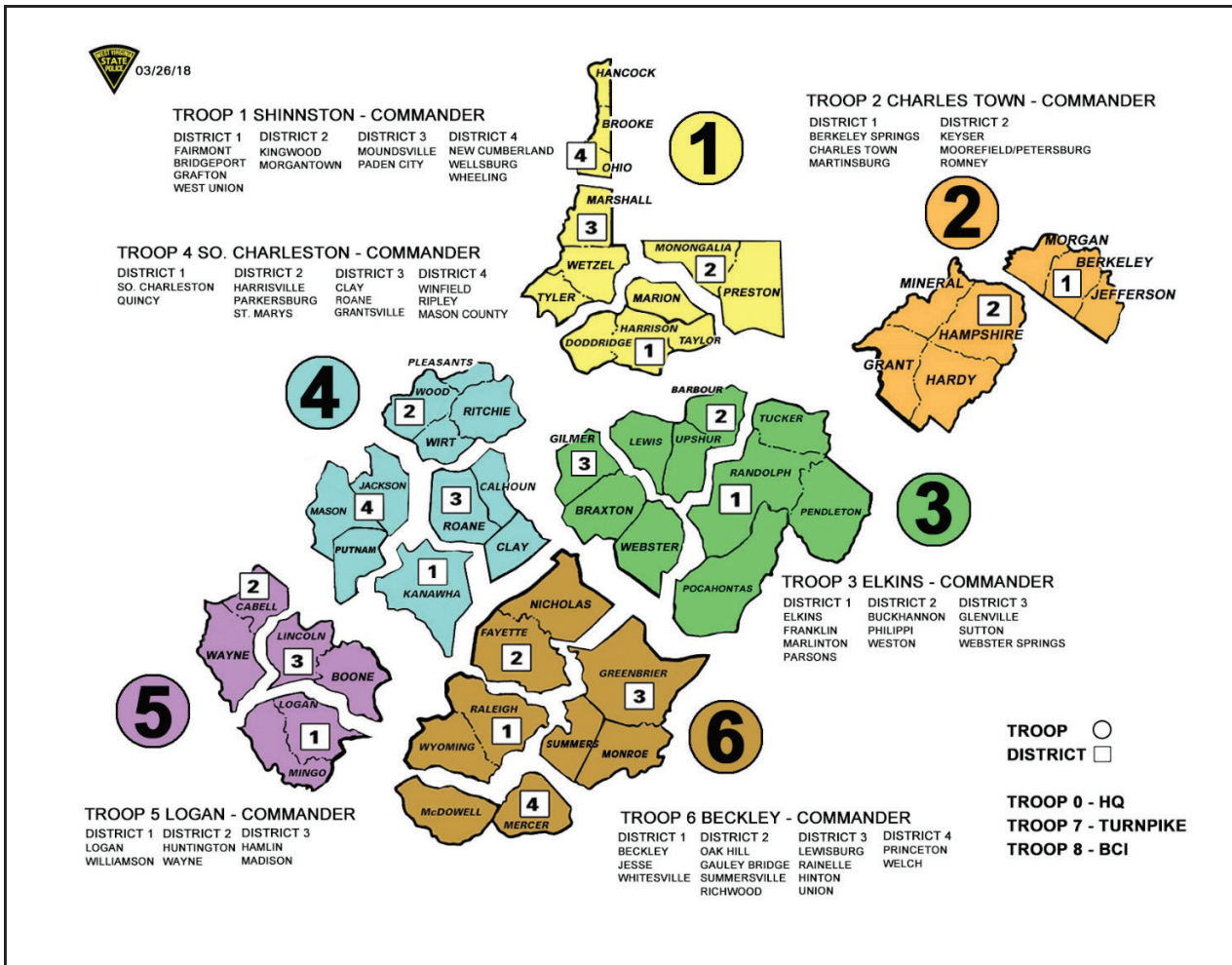
*Since receiving its requested exemption from the Purchasing Division in July 2017, PERD finds that the WVSP has not developed formal written purchasing policies and procedures.*

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#### **Background**

The West Virginia State Police is an agency operating under the Department of Military Affairs and Public Safety. The mission of the State Police is to enforce criminal and traffic laws while providing safety to the state of West Virginia. The West Virginia State Police has nine troops across the state of West Virginia which includes Headquarters, the Turnpike and the Bureau of Criminal Investigation. In fiscal year 2018 the State Police spent a total of \$114,465,885. Below is a map detailing the locations of State Police troops across West Virginia:

## Map of West Virginia State Police Troops and Detachments



Source: West Virginia State Police Website "Detachment Contact Information"

In 2017 the West Virginia Legislature passed Senate Bill 461 that exempted the West Virginia State Police from Purchasing Division purchasing requirements. The bill also required the Legislative Auditor to audit the purchasing procedures of the West Virginia State Police in calendar years 2018 and 2019 and report the results to the Joint Committee on Government and Finance. This report contains PERD’s audit findings for 2018 and 2019. Furthermore, the bill required the State Police to report the effects of the exemption, such as any realized cost savings, and changes to purchasing policies to the Joint Committee on Government and Finance on or before December 31, 2020.

*In 2017 the West Virginia Legislature passed Senate Bill 461 that exempted the West Virginia State Police from Purchasing Division purchasing requirements.*

## **The State Police Has Not Established Written Policies and Procedures for Its Purchasing Practices Since Its Exemption From the Purchasing Division’s Requirements in July 2017.**

The State Police purchasing office operates with a staff of four that includes the Director of Procurement, the Director of Purchasing, and two purchasing assistants. This staff consists of three civilians and one uniformed staff member.

At the inception of this audit, PERD met with the State Police’s purchasing staff and requested a copy of its written purchasing policies and procedures. The State Police provided PERD several disjointed documents containing different sections from the Department of Administration’s Purchasing Division Handbook, a list of contracts, a Request For Quotation (RFQ), a verbal bid document, and sections of the Department of Administration’s Surplus Property Operations Manual. (Those documents are referred to as “procedural guidelines” throughout the report.) At a subsequent meeting, the State Police informed PERD that it does not have written purchasing policies and procedures. The State Police’s inconsistency in its response is concerning because it demonstrates a lack of commitment to any purchasing standard, which is crucial to the proper use of taxpayer funds.

Furthermore, the State Police has demonstrated a heavy reliance on verbal directives for its purchasing practices, specifically those of its long serving Director of Purchasing. For example, in instances where a required signature is not present, a staff member would verbally inform the Director of Procurement. According to the State Police, “a dollar is not spent without one of the staff members knowing about it.” The State Police’s comment in this regard is well-meaning; however, it does not negate the fact that there is a need for written policies and procedures. As will be explored further, basing purchasing practices and decisions on verbal communication is an inadequate internal control system.

Additionally, the State Police has not implemented formal training for its purchasing staff. Adequately training employees on such policies is a key to ensuring uniformity and consistency in purchasing practices. The State Police allows small purchases (purchases \$5,000 and under) to be made at the troop level. These purchases are mostly made with the State P-Card (credit card). Each trooper or civilian at the troop level then reconcile their own P-card purchases.<sup>1</sup> The Headquarters’ role in such Troop purchase is minimal. Each Troop Captain administers, supervises, and coordinates their troop’s P-card purchases. The number of State Police employees involved in the day-to-day application of

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<sup>1</sup> P-card purchases refer to purchases that are made with a purchase card.

purchasing activities is significant and not limited to the State Police's central purchasing staff. Therefore, State Police's current practices create an even greater need for written policies and procedures.

While the State Police attempts to follow the procedural guidelines presented to PERD, it still does not possess a central and concise document specific to State Police purchasing and clearly still bases much reliance on verbal communication and institutional knowledge for its decisions. The procedural guidelines have not been distributed to agency-wide purchasing staff, nor would it be appropriate to do so since they contain irrelevant and contradictory information. This results in a lack of clarity and uniformity regarding purchasing policies and procedures. The risk of inconsistency in the purchasing of commodities and services increases, fostering potential uncertainty of expected purchasing standards for staff to follow.

Given the inadequacies of the procedural guidelines, it is important for the State Police to complete written purchasing procedures specific to the agency. During the audit, PERD periodically inquired on the status of the agency's written purchasing procedures. At each instance, the agency did not give an indication of any progress made. In the Legislative Auditor's opinion, this is concerning since the law requires PERD to review the agency's purchasing procedures and there has been nothing to review. Below is a list of the times in which PERD requested a progress statement on the procedures and the agency's response to our inquiry.

- **June 22, 2018** - PERD requested State Police's written purchasing procedures.
- **July 10, 2018** - State Police responded stating that it was still constructing written purchasing procedures.
- **July 31, 2018** - PERD provided a letter asking for confirmation that the State Police does not have written purchasing procedures.
- **August 9, 2018** - PERD provided a letter asking for confirmation that the State Police does not have written purchasing procedures.
- **August 23, 2018** - The State Police provided confirmation to the July 31, 2018 and August 9, 2018 letters that it still did not have written purchasing procedures.
- **May 17, 2019** - PERD provided a letter asking for confirmation that as of May 6, 2019, the State Police did not have written purchasing procedures and that there was no timeline for its completion.
- **June 4, 2019** - The State Police provided confirmation that as of May 2019, it did not have written procedures and it did not have a timeline for its completion.

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*Given the inadequacies of the procedural guidelines, it is important for the State Police to complete written purchasing procedures specific to the agency. During the audit, PERD periodically inquired on the status of the agency's written purchasing procedures. At each instance, the agency did not give an indication of any progress made.*

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## **The State Police’s Procedural Guidelines Do Not Contain the Components Necessary to Adequately Safeguard Against Waste, Fraud, and Abuses.**

The purchasing procedures used by the State Police do not contain all the elements necessary for an adequate internal control system<sup>2</sup>. In practice, the State Police’s requisition process appears to follow the adequate steps to ensure accuracy<sup>3</sup>, however, the specific steps taken by its staff are not in written form and are carried out through verbal communication and institutional practices. The purchasing staff carries out these procedures because it is the way they have done things for years. Without a written document describing those procedures, the State Police remains at risk of inconsistent application of its practices, especially when knowledgeable staff members leave employment and that institutional knowledge is lost.

Furthermore, the State Police informed PERD that major purchases, which are those over \$5,000, require written approval by Chief of Staff Services, a member of the Superintendent’s Senior Staff, or the Director of Executive Services. While these practices are a decent start for an internal control system, they are only part of the key elements needed for an adequate internal control system. The State Police’s current purchasing procedures are missing important aspects of an internal control system, including formal training, clear segregation of duties, and monitoring of purchasing practices.

The State Police purchasing documents set three monetary thresholds for purchases. Purchases up to \$5,000 require at least three verbal bids. Purchases ranging from \$5,000.01 to \$25,000 must have at least three written bids and a Request for Quotation. These procedures require purchases be made from the lowest bidder when possible and that all bids be present in the file. Purchases over \$25,000 are processed by the procurement staff at headquarters in South Charleston. It should be noted that the procedural guidelines provided to PERD have contradictory language in that they state no more than \$25,000 can be spent with each specific vendor, but the agency has a threshold for

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<sup>2</sup>These necessary elements are found in the Government Accountability Office’s “Standards for Internal Control in the Federal Government”, which is a widely-acknowledged and accepted model for an effective internal control system.

<sup>3</sup> The State Police files requisition forms by fiscal year, troop location, and numerical sequence and then places them into a ringed binder that is retained within the purchasing office. Furthermore, the State Police has a receiving system where each troop has its own bin that contains its delivered commodities until a staff member arrives to pick up the commodities. The receiving unit is located at the State Police Headquarters and is staffed by two receiving employees. A troop’s logistics officer is responsible for taking possession of the troop’s commodities purchased at and delivered to headquarters. The logistics officer retrieving the troop’s commodities dates and initials two separate documents when receiving the commodities. One document is the requisition form and the other is a receiving log that is retained inside each troop’s specific bin.



purchases over \$25,000. This is the result of State Police procedural guidelines containing disjointed and non-germane sections from the State Purchasing Guidelines. Purchases over \$25,000 require three bids that are attached and kept on file. Bids should be like-items, and the contract price is listed as one of the three bids. It should be noted that the agency does not specify a prohibition against “stringing,” which is a deliberate attempt to circumvent having a purchase exceed \$25,000 by splitting the purchase into two or more transactions. This issue is discussed in Issue 2.

The State Police’s procedural guidelines include other non-germane information regarding vendors and vendor fees that come from the State Purchasing Division Procedures Handbook. Although the State Police told PERD its procedures deviate somewhat from the State Purchasing Handbook, it is not apparent where those deviations occur because of the disjointed and irrelevant sections copied from the State Purchasing Handbook. The State Police’s surplus property procedures come from the State Surplus Property Operations Manual, which states that cannibalizing assets is prohibited.<sup>4</sup> However, the State Police informed PERD that it permits cannibalizing its vehicles. These are just some examples that the State Police’s procedural guidelines are unclear and inconsistent.

While it is important to have policies and procedures in writing, it is equally important to ensure that the established policies and procedures are adequately safeguarding against inconsistency, waste, fraud, and abuse. Policies and procedures should contain elements of control environment, risk assessment, control activities, information and communication, and monitoring to be adequate. There are no written control activities implementing a segregation of duties or management review of actual purchasing practices. The State Police’s current procedural guidelines do not contain the key elements of an effective internal control system. The Legislative Auditor concludes that the agency does not have written purchasing policies and procedures, and consequently, the agency has not established adequate internal control over its purchasing processes.

## Conclusion

The State Police requested an exemption from State Purchasing Division requirements in February 2017. The State Police became exempt in July 2017. Since then, the agency has not documented its own written purchasing policies and procedures. Furthermore, the State Police indicated to PERD that it has no timeline for establishing them. The Legislative Auditor determines that the State Police has had ample time to develop appropriate purchasing policies and procedures that are specific to the agency’s operation. The agency needs to make this a

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*The State Police’s current procedural guidelines do not contain the key elements of an effective internal control system. The Legislative Auditor concludes that the agency does not have written purchasing policies and procedures, and consequently, the agency has not established adequate internal control over its purchasing processes.*

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<sup>4</sup> Cannibalizing refers to removing parts from one or more assets to use for maintaining or repairing another asset.

priority for the sake of providing adequate internal control over purchasing. However, when responding to PERD's draft report, the State Police provided a policies and procedures manual. It is unclear why the State Police did not provide it at the beginning of the audit when requested or throughout the audit process when PERD inquired about the progress of constructing written purchasing policies and procedures. The purchasing policies and procedures manual could not be examined as it was provided by the State Police on September 10, 2019 after the audit's completion. PERD finds that the State Police is relying on verbal communication and institutional knowledge in its purchasing practices. This runs the risk of inconsistent compliance with desired purchasing procedures, which in turn, increases the risk of fraud, waste and abuse of state resources. The Legislative Auditor makes the following recommendations.

## Recommendations

- 1. The Legislative Auditor recommends that the State Police make it a priority to establish written purchasing policies and procedures that are clearly specific to the agency and, pursuant to W. Va. Code §5A-3-1(g), report the purchasing policies and procedures to the Joint Committee of Government and Finance in the year 2020.*
- 2. The State Police should develop its purchasing policies and procedures to establish an adequate internal control environment over purchasing. This should include the dissemination of the policies and procedures to purchasing staff, appropriate training and monitoring of purchasing practices.*





## ISSUE 2

### **The State Police Is Not Complying with Its Limited Purchasing Procedural Guidelines.**

#### **Issue Summary**

The Performance Evaluation and Research Division reviewed random samples of 2018 State Police purchases to determine the agency's compliance with its procedural guidelines. PERD finds that the State Police purchasing practices are often inconsistent with the agency's guidelines. The inconsistencies vary such as: appropriate bids were not documented, proper forms were not used, there was no evidence of documents uploaded to wvOASIS, and authorizing signatures were often not provided. In short, there were few sampled transactions that were in complete compliance with the agency's limited guidelines. The lack of compliance is attributed to a lack of clear written policies and procedures, and enforcement of those procedures. The State Police's current purchasing practices increase the risk of waste, fraud and abuse.

#### **State Police Procedural Guidelines**

Below is a description of the limited State Police procedural guidelines PERD used to evaluate the agency's purchasing practices. As stated in Issue 1, because the State Police does not have written purchasing policies and procedures, the criteria used by PERD was provided in response to its specific inquiries. The State Police indicated that it has three monetary thresholds with different purchasing procedures for each threshold. These monetary thresholds are as follows:

- Purchases \$0-\$5,000: A minimum of three verbal bids are used when possible and the lowest bid meeting specifications is awarded the purchase order/contract. All verbal bids are present in the file documented on a verbal bid quotation summary form.
- \$5,000.01-\$25,000: A minimum of three written bids are used when possible and the lowest bid meeting specifications is awarded the purchase order/contract. All written bids are present in the file.
- Over \$25,000: The needed commodities or services in this threshold are purchased by the procurement unit at headquarters. Three bids are used to purchase items, staff bid like items, the contract price is listed as one of the three bids, staff cannot spend more than \$25,000 with each specific vendor, and bids must be attached and kept on file

It is important to note that prohibiting staff members from spending over \$25,000 with a vendor in a calendar year contrasts with this monetary threshold requirement as it implies that over \$25,000 is

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*In short, there were few sampled transactions that were in complete compliance with the agency's limited guidelines. The lack of compliance is attributed to a lack of clear written policies and procedures, and enforcement of those procedures.*

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spent with vendors in a calendar year. This is a further example of an unclear purchasing policy that creates difficulty for staff to follow when making purchases.

The criteria, included in written statements and documents by the agency in response to PERD inquiries, are as follows:

- Verbal bid quotations are documented on summary forms;
- Requisition forms are used for all non-P-card purchases;
- All bid quotation forms are present in the file. ('the file' refers to retention of records through wvOASIS and the physical file of purchasing documents);
- All purchasing documents are uploaded to wvOASIS;
- An RFQ is used for all purchases between \$5,000.01-\$25,000 and for all tangible property and contains the proper elements (detailed description or specification of the item(s) being purchased, delivery date, bid price per unit, and any applicable maintenance, and quantities of all items);
- Purchases over \$5,000 have a signature of a member of the Superintendent Senior Staff;
- Procurements over \$25,000 are purchased by the procurement unit at headquarters; and
- All items are bid and are bid as like-items only.

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*A total of 60 State Police purchases were sampled to evaluate compliance with the State Police procedural guidelines. The majority of these purchases were inconsistent and did not reflect the guidelines the State Police told PERD it follows.*

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PERD sampled 10 transactions from each of the three monetary thresholds. It should be noted that PERD sampled P-card purchases separately; therefore, the three samples based on the monetary thresholds consists only of non-P-card transactions. The sampled transactions were evaluated based on the appropriate abovementioned standards. All transactions were reviewed by obtaining purchasing documents uploaded to wvOASIS and physical copies of purchasing documents provided by the State Police. Physical copies of purchasing documents were only provided for non-P-card purchases.

## **State Police Purchases Are Conducted Inconsistently and Do Not Promote Best Practices.**

A total of 60 State Police purchases were sampled to evaluate compliance with the State Police procedural guidelines. The majority of these purchases were inconsistent and did not reflect the guidelines the State Police told PERD it follows. Furthermore, purchases were not made in a manner that reflected cost-effectiveness, risk reduction, and fiducially responsible practices. 30 purchases were randomly selected from non-P-card purchases and 30 were randomly selected from P-card purchases for review. All non-procurement object codes and inapplicable

vendors were removed from the sample pool prior to the random sample selection<sup>5</sup>. Once these object codes and vendors were excluded, the random samples were taken.

The non-P-card purchases were stratified by the monetary thresholds such that 10 transactions were randomly selected from the \$0-\$5,000 threshold, 10 were randomly selected from the \$5,000.01-\$25,000 threshold, and 10 were randomly selected from the over \$25,000 threshold. P-card purchases were not stratified and 30 were also chosen. These purchases were evaluated against the State Police procedural guidelines. Table 1 shows that of the 30 sampled non-P-card purchases, none were fully compliant with the limited State Police guidelines. The way in which these purchases were noncompliant varied. While some purchases had the proper bids, others did not. The same is true of other purchasing categories such as proper signatures, the use of RFQs, and use of wvOASIS to upload purchasing documents. However, all purchases did not have a requisition form as a common area of noncompliance. With multiple areas of noncompliant practices, these purchases did not display safeguards to reduce the risk of waste, fraud, and abuse from occurring.

*While some purchases had the proper bids, others did not. The same is true of other purchasing categories such as proper signatures, the use of RFQs, and use of wvOASIS to upload purchasing documents. However, all purchases did not have a requisition form as a common area of noncompliance.*

<b>Monetary Thresholds</b>	<b>Number of Purchases Sampled</b>	<b>Number of Purchases Fully Compliant with the Limited State Police Purchasing Policies</b>
\$0-\$5,000	10	0
\$ 5,000.01-\$25,000	10	0
Over \$25,000	10	0

Source: PERD analysis of State Police purchases located in wvOASIS, physical documents provided by the agency, and statements regarding State Police purchasing procedures from the agency..

<sup>5</sup> Non-procurement object codes included object codes associated with payments such as: payroll, utilities, rent, social security matching, PEIA fees, and more which would not be processed through procurement as a commodity or service. Inapplicable vendors included purchases that would not go through the procurement process such as death records, court records, background checks performed by the Federal Bureau of Investigation, and items or services which normally would not be bid out.

## **State Police Purchases Did Not Go Through the Bid Process Resulting in Potential Overspending and a Lack of Transparency.**

State Police purchases did not display best practices that promote public trust and strive for cost-effectiveness. The majority of purchases PERD reviewed did not go through the bidding process. This is displayed in Table 2 and Table 3. Without going through the bidding process, the State Police cannot know if it is obtaining the best price when it is purchasing commodities or services. This could result in spending more state money than is necessary for its needed commodities or services. When a purchase is not bid out, it not only could result in overspending, but it also creates a lack of transparency. Bidding out purchases shows the public that the agency has done its part to obtain the best price and provides the opportunity to display why the agency chose a specific vendor. The use of *wvOASIS* is also needed to show transparency by providing the public with information of vendors used by the State, how money was expended by the State, and provides opportunities for vendors to do business with the State.

### **Non-P-card Purchases**

Most of the sampled State Police purchases within the \$0-\$5,000 and \$5,000.01-\$25,000 thresholds did not utilize the bidding process, which would not suggest cost-effective purchasing practices and transparency. The State Police cannot know if it is most effectively spending taxpayer dollars without conducting a bidding process for the needed commodity or service so vendors can provide prices for comparison. Furthermore, none of the non-P-card purchases were fully compliant with the limited State Police guidelines. While some of these purchases had attached documentation for a sole-source purchase, other purchases that should have gone through the bid process did not display that they had done so before the commodity or service was purchased. Also, *wvOASIS* was not consistently used for these purchases. Rather, some purchases had little documentation present in *wvOASIS* where complete documentation would have been expected. Furthermore, some purchases that have been stated to require a signature from a member of the Superintendent Senior Staff were found to lack the required signatures prior to purchase. Overall, the purchases displayed varying levels of inconsistency. An overview of these purchases can be seen on Table 2 below.

**Table 2**  
**Non-P-card Purchases in Monetary Thresholds**  
**\$0-\$5,000 and \$5,000.01-\$25,000**

<b>Vendor</b>	<b>Monetary Threshold</b>	<b>Three Bids Present for Purchase</b>	<b>Total Amount Spent With Vendor in Calendar Year 2018</b>
Sharps Electronics Corp.	\$0-\$5,000	No	\$18,040.00
Automotive Distributors Co. Inc.	\$0-\$5,000	No	\$33,119.64
Sharp Electronics Corp.	\$0-\$5,000	No	\$18,040.00
Komax LLC	\$0-\$5,000	No	\$56,934.57
Rigney Digital Systems Ltd-Co.	\$0-\$5,000	No	\$286,831.70
Sharp Electronics Corp.	\$0-\$5,000	No	\$18,040.00
Komax LLC	\$0-\$5,000	No	\$56,934.57
BB&T	\$0-\$5,000	No	\$26,802.39
Sharp Electronics Corp.	\$0-\$5,000	No	\$18,040.00
Sharp Electronics Corp.	\$0-\$5,000	No	\$18,040.00
Agilent Technologies Inc.	\$5,000.01-\$25,000	No	\$88,893.00
Automotive Rentals Inc.	\$5,000.01-\$25,000	No	\$745,580.80
Life Technologies Corp.	\$5,000.01-\$25,000	Documentation present to show sole source purchase	\$229,804.76
Automotive Rentals Inc.	\$5,000.01-\$25,000	No	\$745,580.80
Galls LLC	\$5,000.01-\$25,000	No	\$192,569.70
Precision Cut Signs Graphics	\$5,000.01-\$25,000	No	\$13,685.00
A&A Auto Parts Stores Inc.	\$5,000.01-\$25,000	No	\$79,793.63
NCompass Networks	\$5,000.01-\$25,000	Yes	\$24,797.00
Parker Hannifin Corp.	\$5,000.01-\$25,000	Documentation present to show sole source purchase	\$5,330.00
Agilent Technologies Inc.	\$5,000.01-\$25,000	No	\$88,893.00

*Sources: wvOASIS purchasing documents, documents received from State Police, and PERD analysis of purchasing documents.*

## Non-P-card Purchases Over \$25,000 Did Not Utilize RFPs or Bids

Another significant issue identified is many State Police purchases over \$25,000 lacked bids and Request for Proposals (RFP). The State Police told PERD it does not have specific procedures for when an RFP is used, but rather it is decided on a case-by-case basis. However, without specific requirements, knowing when an RFP should be used is unclear to staff. Bids were also missing in other monetary thresholds; however, with the dollar amounts spent being substantially higher in the over \$25,000 threshold than the others, the lack of bids and RFPs is especially impactful. Furthermore, the amount spent may have been reduced had bids and RFPs been utilized for these purchases. Purchases that appeared in the sample over \$25,000 were oftentimes significantly higher than \$25,000, meaning that the lack of bids and RFPs is more significant, and the risk and consequence of waste, fraud and abuse are greater. In these situations, there is no way for the State Police to know if it is spending taxpayer dollars in the most cost-effective manner. The information detailing these purchases can be seen in Table 3 below.

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*The State Police told PERD it does not have specific procedures for when an RFP is used, but rather it is decided on a case-by-case basis. However, without specific requirements, knowing when an RFP should be used is unclear to staff.*

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**Table 3**  
**Non-P-card Purchases Over \$25,000**

Vendor	Amount Spent for Transaction	Three Bid Documents Present
Rigney Digital Systems Ltd. Co.	\$52,514.55	No
Stephens Auto center	\$27,574.00	No, but reference to state contract made in an attached Memorandum
Automotive Rentals Inc.	\$174,274.88	No
Neighborgall Construction Company	\$113,961.38	No, only one bid present.
National Medical Services Inc.	\$91,637.00	No
Wex Bank	\$123,253.90	No
Stephens Auto Center	\$27,574.00	No, but reference to state contract made in an attached Memorandum
Markl Supply Company Inc.	\$235,104.00	No
Mountaineer Custom Cartridge	\$64,500.00	No
A V Luttamus Communications Inc.	\$58,664.00	No

*Source: wvOASIS documentation regarding State Police purchases in calendar year 2018, documentation provided by the State Police for the sampled Non-Pcard purchases, and PERD analysis of State Police purchases in calendar year 2018.*



## State Police P-card Purchases

State Police P-card purchases are currently under the review of the State Auditor's Office for a program evaluation. The program evaluation report is expected to be released this year. However, PERD randomly sampled 30 P-card purchases to evaluate their compliance with stated P-card policies of the State Police. The State Police is required to follow the State Auditor's P-card requirements but outside of those requirements it can also have agency-specific P-card procedures as long as it does not interfere with the State Auditor's requirements. PERD used the stated State Police P-card procedures to evaluate these purchases. PERD found instances of noncompliance with State Police standards for its P-card purchases. Thirty (30) unstratified purchases were randomly sampled from the P-card purchases. Of the 30 P-card purchases, 12 were compliant with current State Police stated P-card procedures and 18 were non-compliant (60%). P-card purchases have policies and procedures in place under the State Auditor's Office which could have played a role in some of the purchases following a good internal control process when conducted. The non-P-card purchases are solely administered by the State Police, and did not follow good internal control practices or comply with the limited State Police procedural guidelines. Comparing the non-P-card and P-card purchases simply reiterates the importance of establishing effective policies and procedures.

The cause of noncompliance of the 60 percent varied as was the case with the non-P-card samples. Some of the sampled P-card purchases had bids, but did not use the proper verbal bid quotation summary form as documentation, while other P-card purchases had no bids at all. In both non-P-card purchases and P-card purchases, issues of inconsistency and significant risk of waste, fraud, and abuse are present based on the samples taken. Graph 1 shows that the overall compliance rate for the total sample of 60 was 20 percent, where 12 of the 60 sampled purchases were compliant, all of which were P-card transactions.

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*PERD found instances of noncompliance with State Police standards for its P-card purchases.*

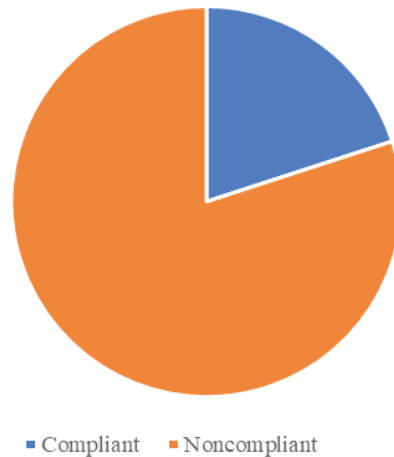
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*Some of the sampled P-card purchases had bids, but did not use the proper verbal bid quotation summary form as documentation, while other P-card purchases had no bids at all.*

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**Graph 1**  
**State Police Purchases Compliant With Its Limited Procedural Guidelines**



*Sources: PERD analysis of State Police purchases located in wvOASIS and in State Police physical purchasing files.*

## Stringing

When PERD examined calendar year 2018 purchases, there were indications of stringing present. Purchases were made with relatively short periods of time in between that appear to have been separated to avoid monetary threshold requirements. Due to the State Police's failure to use wvOASIS to document these purchases, it is difficult to determine if the purchases were cases of stringing. Furthermore, the State Police's inconsistent use of monetary thresholds for conducting purchases created additional difficulty for PERD to analyze this issue. Regardless, the information reviewed indicates that stringing has occurred, which is an issue of noncompliance with the monetary threshold requirements. While the risk of stringing cannot be eliminated completely, effective monitoring of purchases can significantly reduce the risk of its occurrence and aid in enforcing the use of the required monetary thresholds.

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*When PERD examined calendar year 2018 purchases, there were indications of stringing present. Purchases were made with relatively short periods of time in between that appear to have been separated to avoid monetary threshold requirements.*

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## Conclusion

PERD's sample of 60 purchases reveals that in practice the State Police is generally non-compliant with its limited procedural guidelines. At the time PERD held an exit conference with the agency on August 29, 2019 to discuss the findings and conclusions of this audit, the State Police provided PERD with a binder of purchasing documents that were absent in PERD's review of sampled purchases described in Tables 1 through 3 of this issue. This binder of documents was intended to refute

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*PERD's sample of 60 purchases reveals that in practice the State Police is generally non-compliant with its limited procedural guidelines.*

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some of the deficiencies described in this issue. PERD reviewed the documents to determine if our findings or conclusions needed to be amended. **PERD finds that the documents do not change the findings or conclusions of the report.** Some of the documents address missing documentation for the sampled purchases, but they were in locations of wvOASIS that are not intended for such documentation according to the WV Enterprise Resource Planning Board. Moreover, some of the documents in the binder were not in wvOASIS as they should have been. It appears they were retrieved from other sources. Nevertheless, these documents should have been connected to each purchase in a centralized location for an appropriate paper trail. Furthermore, when PERD requested all documentation for the sampled purchases, State Police indicated that everything was in wvOASIS; however, this was not the case. In addition, the binder of documents still did not provide all of the necessary documentation for compliance.

The sample of 60 purchases remains noncompliant with the State Police's limited procedural guidelines. This is attributed to an inadequate internal control environment. The State Police does not have written purchasing policies that state the importance of following proper purchasing procedures, as well as the objectives and goals of the procedures. In addition, the agency's procedural guidelines are a hodgepodge of documents copied from the State Purchasing Division Guidelines that are not specific to State Police purchasing and in some cases are irrelevant and contradictory. The State Police needs to establish agency-specific procedural guidelines that include the key components of an adequate internal control environment. The Legislative Auditor makes the following recommendations.

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*In addition, the agency's procedural guidelines are a hodgepodge of documents copied from the State Purchasing Division Guidelines that are not specific to State Police purchasing and in some cases are irrelevant and contradictory.*

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## Recommendations

3. *The Legislative Auditor recommends that upon disseminating the State Police purchasing policies and procedures, the State Police formally and consistently train purchasing staff members on its purchasing policies and procedures and use of proper purchasing forms and documents.*
4. *The Legislative Auditor recommends the State Police routinely monitor purchasing practices of its staff to identify and remediate instances of noncompliance to State Police purchasing policies and procedures in a timely manner and to promote risk reduction, cost-effectiveness, and fiducially responsible practices in its agency.*
5. *The Legislative Auditor recommends the State Police utilize formal purchasing policies and procedures that contain safeguards to reduce waste, fraud, and abuse until it has its own. For example,*

*since the State Police stated it uses as much as 95 percent of the Purchasing Division Procedures Handbook, it could utilize the Purchasing Division Procedures Handbook and Purchasing Division online training modules. As a result, staff will have uniform training on purchasing practices that contain safeguards to reduce waste, fraud, and abuse while management constructs its own specific purchasing policies and procedures.*

# Appendix A Transmittal Letter

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

Building 1, Room W-314  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0610  
(304) 347-4890  
(304) 347-4939 FAX



John Sylvia  
Director

September 6, 2019

Jeff S. Sandy, Cabinet Secretary  
Department of Military Affairs and Public Safety  
1900 Kanawha Blvd., E.  
Building 1, Room W-400  
Charleston, WV 25305

Dear Secretary Sandy:

This is to transmit the revised draft copy of the review of State Police purchasing procedures pursuant to W. Va. Code §5A-3-1(e) and subsection (f). The changes are highlighted for your convenience. This report is scheduled to be presented during the September interim meetings of Post Audits Subcommittee. At this time, this meeting is scheduled to take place on Tuesday, September 24, 2019 at Senate Finance from 1:00 p.m.-3:00 p.m. 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.

As mentioned in our previous letter to your agency, we need your written response by noon on Monday, September 9, 2019 in order for it to be included in the final report. Should your agency require an additional day, the latest we can receive your response is Tuesday, September 10, 2019. If your agency intends to distribute additional material to committee members at the meeting, please contact Terri Towers, Executive Administrative Assistance, at 304-347-4880 by Thursday, September 19, 2019 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,

A handwritten signature in cursive script that reads "John Sylvia".

John Sylvia

C: Major Reginald Patterson, Captain Shallon R. Oglesby, Captain Michael G. Corsaro, Major Joe White, Sergeant J.D. Perry, Carole Woodyard

*Joint Committee on Government and Finance*



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# Appendix B

## Objectives, Scope and Methodology

The Performance Evaluation and Research Division (PERD) within the Office of the Legislative Auditor conducted this performance review of the West Virginia State Police as part of the agency review of purchasing procedures as required by W.Va. Code §5A-3-1(e) and subsection (f). The purpose of the West Virginia State Police is to enforce criminal and traffic laws while providing safety to the state of West Virginia.

### Objectives

The objectives of this audit are to review the State Police's purchasing procedures pursuant to W. Va. Code §5A-3-1(e) for 2018 and 2019. The first objective is to assess the agency's purchasing procedures, while the second objective is to evaluate the extent to which the agency's purchasing practices comply with its procedures.

### Scope

The scope of the audit includes the agency's purchasing procedures that it indicated would be followed as an exempt agency from the State Purchasing Guidelines. The scope encompassed all purchases that went through the procurement process of requiring requisition approvals, seeking bids, requests for quotations, requests for proposals, and purchase card transactions during calendar years 2018.

### 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. Testimonial evidence gathered for this review through interviews with the State Police staff or other agencies was confirmed by written statements and in some cases by corroborating evidence. The analysis for Issue 1 primarily required PERD to interview appropriate State Police officials in order to gain an understanding of the agency's purchasing procedures and to review the documentation that the State Police indicated represented its purchasing procedures. Furthermore, PERD reviewed internal control standards according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to determine the adequacy of the State Police purchasing procedures as COSO contains best practice standards.

The analysis used for Issue 2 required a sample of agency purchases to determine compliance with State Police procedures. PERD selected a random sample of 60 State Police purchases. Thirty (30) were selected from non-purchase card purchases, and 30 purchase card purchases were selected from State Police expenditures in calendar year 2018. The random samples were selected first by removing all non-procurement object codes such as: payroll, utilities, insurance, and others that would not go through the procurement process. Additionally, any realized vendors within the expenditure report provided in the wvOASIS system that would not go through the bidding process were removed. These vendors were associated with purchases such as death records or court records that would not go through the bidding process.

The non-purchase card transactions were stratified based on the monetary thresholds provided by the State Police. This was done by sampling ten purchases each from the \$0-\$5,000 threshold, the \$5,000.01-\$25,000 threshold, and the over \$25,000 threshold for a total of 30 purchases. Thirty (30) purchase card transactions were randomly sampled but did not need to be stratified. In addition, PERD conducted interviews with the State Police to determine if a monitoring system is in place to ensure compliance with State Police procedural guidelines. PERD acquired all appropriate documentation for each sampled purchase from wvOASIS or we requested the information directly from the State Police if we did not locate the information in wvOASIS. PERD determined compliance with the State Police procedural guidelines by examining the documentation from wvOASIS and from the State Police associated with the 60 selected purchases and assessed adherence to the expected steps required by the State Police procedural guidelines. PERD determined that the information used in this audit was sufficient and appropriate since the information in wvOASIS was corroborated by information of the State Police.

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



West Virginia State Police  
725 Jefferson Road  
South Charleston, West Virginia 25309-1698  
Executive Office

Colonel Jan Cahill  
Superintendent



**FROM: Captain Shallon Oglesby**  
West Virginia State Police

**DATE: September 10, 2019**

**RE: PERD Response**

**Issue 1:** We were advised by Kayla Wilson and Jill Mooney that a manual was preferred but not required.

**The State Police has not established written policies and procedures:** The request for progress on a purchasing manual was not clearly perceived as a formal request therefore our response was just submitted as bullet statements that we were still working on a manual.

**The State Police procedural guidelines:** Although there is no manual all purchases go through several checks and balances with signature approvals on the P-Card and purchasing side and then accounting reviews the purchase before payment is approved and submitted for payment to the auditor's office. Our Purchasing manual will address the disjointed verbal communication concerning the purchases over \$25,000.00 spent with specific vendors and stringing issues. State Surplus manual prohibits cannibalization unless approved and that is how we have been operating requiring approval before cannibalization is done with vehicles either at the Troop level or from Procurement.

**Issue 2:**

**Issue Summary:** We have provided all documentation requested and the evidence submitted was pulled from OASIS just not where PERD determined it should be. There has been no formal training for OASIS as to where forms are placed, our forms are placed in the same locations currently as they were before our exemption and there were no issues during past Purchasing audits.

**Procedural Guidelines:** The over \$25,000.00 purchases follow State Purchasing guidelines and all purchases are submitted in OASIS therefore not restricting Procurement from making purchases over \$25,000.00 with each vendor, same procedure as before exemption. All Purchasing documents are uploaded to OASIS including P-Card purchases which are entered into OASIS for Payment with documentation attached. All transactions are put into OASIS in one form or another. We attach the same paperwork that we used while under State Purchasing before our exemption but it is apparently not in the location PERD deemed as appropriate.

**Integrity Fairness Respect Honesty Courage Compassion**



**Purchases Did Not Go Through Bid Process:** Ref Table 2 we provided a large binder documenting the purchases and contracts that were utilized for purchases most were contracts bid through state purchasing. All of the transactions were processed through OASIS in the Purchasing process or P-Card process.

**Ref Table 3:** All transactions in Table 3 were bid on OASIS or a contract was utilized to make these purchases. Automotive Rental Inc. is the fuel card payment which is a Fleet management program required to obtain fuel. Wex Bank . is the fuel card payment which is a Fleet management program required to obtain fuel. It is just a different vendor utilized by Fleet. None of these purchases were made without a contract or bids.

**Stringing:** OASIS is being utilized with every Procurement and P-Card purchase and every attempt is being made to ensure stringing is not occurring.

**Conclusion:** We have continued following the same procedures we were following before our exemption and added a requirement for three bids for purchases not on a State or Federal Contract. We utilize OASIS for all purchases including P-Card. One issue was discovered during the Purchasing Audits, identified as stringing of auto parts due to State Purchasing canceling the state contract. No other issues were identified. The Surplus side has been modeled after State Surplus with us managing the approval issues instead of State Surplus.

We have continued to follow the same guidelines we were following while under State Purchasing realizing that a Purchasing Manual is needed to address our procedures and we have drafted a procedural manual.





WEST VIRGINIA LEGISLATIVE AUDITOR

## PERFORMANCE EVALUATION & RESEARCH DIVISION

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