



ALLAN MCVEY
CABINET SECRETARY

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
2019 WASHINGTON STREET, EAST
CHARLESTON, WEST VIRGINIA 25305-0130

W. MICHAEL SHEETS
DIRECTOR

January 6, 2020

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

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

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

Dear Sirs:

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

This section of the Code reads:

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

(b) The director shall solicit sealed bids for the purchase of commodities and printing which is estimated to exceed twenty-five thousand dollars. No spending unit shall issue a series of requisitions or divide or plan procurements to circumvent this twenty-five thousand dollar threshold or otherwise avoid the use of sealed bids. Any spending unit which awards multiple contracts for the same or similar commodity or service to an individual vendor over any twelve-month period, the total value of which exceeds twenty-five thousand dollars, shall file copies of all contracts awarded to the vendor within the twelve preceding months with the director immediately upon exceeding the twenty-five thousand dollar limit, along with a statement explaining how the multiple contract awards do not circumvent the twenty-five thousand dollar threshold. If the spending unit does not immediately report to the director, the director may suspend the purchasing authority of the spending unit until the spending unit complies with the reporting requirement of this subsection. The director may conduct a review of any spending unit to ensure compliance with this subsection. Following a review, the director shall complete a report summarizing his or her findings and

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forward the report to the spending unit. In addition, the director shall report to the Joint Committee on Government and Finance on the first day of January and July of each year the spending units which have reported under this subsection and the findings of the director.

For the period of July 1, 2019, through December 31, 2019, there were no spending units that reported to our division the award of multiple contracts for the same or similar commodity or service to an individual vendor over any 12-month period," where the total value exceeds \$25,000. However, Purchasing Division inspectors discovered findings of stringing related to nine different spending units during their inspections, as stipulated in this section of the Code, for a total of 30 cases of stringing.

The spending units with findings of stringing include the Department of Veterans' Assistance's Veterans Home in Barboursville; Districts 1, 4, 5, 7, 8, 9 and 10 of the Division of Highways; and the Division of Highways' Equipment Division. A summary of these findings is attached.

Pursuant to this requirement, my next report will be submitted to you in July of 2020. Should you have any questions regarding this correspondence, please feel free to contact me at your convenience at (304) 558-0492 or via email at **William.M.Sheets@wv.gov**.

Sincerely,



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

WMS:ssk

West Virginia Purchasing Division
SUMMARY OF STRINGING ACTIVITIES
(JULY 1, 2019- DECEMBER 31, 2019)

Department of Veterans Assistance, West Virginia Veterans Home, Barboursville:

- 1) During the fiscal year under review, West Virginia Veterans Home, Barboursville spent a total of \$34,211.99 in 58 transactions for fruits and vegetables from Corey Brothers, Inc.
- 2) During the fiscal year under review, West Virginia Veterans Home, Barboursville spent a total of \$29,130.65 in 11 transactions for cooling and refrigeration repair from Pierson Technical Services.

In the agency's response to the inspection report for finding 1 through 2, the agency stated that:

For any purchase that is open-ended or over the \$25,000.00 limit, we are having those goods and services bid out through the Purchasing Division. Currently, the bid for fruits and vegetables, as well as dairy and eggs, have been sent to the Purchasing Division for them to solicit for a contract. I am currently preparing the specifications and the request for the cooling and refrigeration repairs contract to also be bid out through the Purchasing Division. I will also be contacting wvOASIS to help with obtaining the report that tracks the Agency's spending for a vendor. This is so that Stringing will not happen again.

Department of Transportation, Division of Highways, District 1:

- 1) During the fiscal year under review, Division of Highways, District 1 spent a total of \$36,896.12 in 339 transactions for mat rental from Cintas Corporation.

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

This dealt with the purchase of material from Cintas. District One purchases a variety of products from this vendor. These purchases are made by various locations within District One. The transaction reviewed was for a mat rental. All organizations within District One have been instructed on the correct vendor to purchase or rent mats from. The total transactions with this vendor were \$36,896.12 consisting of several different items for several locations. As noted in our general explanation, it was never the intent of District One to violate purchasing procedures.

- 2) During the fiscal year under review, Division of Highways, District 1 spent a total of \$33,443.21 in 8 transactions for Truck Parts from Jasper Engine Exchange.

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

This dealt with purchases from Jasper Engine Exchange. We will monitor future purchases and attempt to follow the purchasing regulations necessary to remain compliant. As noted in our general explanation, it was never the intent of District One to violate purchasing procedures.

- 3) During the fiscal year under review, Division of Highways, District 1 spent a total of \$41,402.29 in 106 transactions for hydraulic parts from Lawson Products.

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

This dealt with the purchase of materials from Lawson. District One has purchased a variety of products from this vendor. These purchases are made by various locations within District One. The transaction reviewed was for hydraulic parts. All organizations within District One have been instructed to limit purchases from outside vendors and to always use available contracts when possible. We have placed no solicitation signs up at all organizations in an attempt to reduce solicitors. The total transactions with this vendor were \$41,402.29 consisting of several different items for several locations. As noted in our general explanation, it was never the intent of District One to violate purchasing procedures.

- 4) During the fiscal year under review, Division of Highways, District 1 spent a total of \$75,070.29 in 70 transactions for lighting from SQ Electronic Services.

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

This dealt with the purchase of materials from Electronic Services. District One has purchased a variety of products from this vendor. These purchases are made by various locations within District One. The transaction reviewed was for lights. While not for lights specifically, we have previously had a contract with this vendor that expired on 12/31/17, this purchase was on 6/12/18. It appears that contract was not renewed. All organizations within District One have been instructed to check contract expiration dates periodically to limit occurrences of purchasing off expired contracts and to ensure that the product they are purchasing is covered by the particular contract they are using. We will also monitor future purchases and attempt to follow the purchasing regulations necessary to remain compliant. The total transactions with this vendor were \$75,070.29 consisting of several different items for several locations. As noted in our general explanation, it was never the intent of District One to violate purchasing procedures.

- 5) During the fiscal year under review, Division of Highways, District 1 spent a total of \$35,396.22 in 22 transactions for steel product from West Virginia Steel.

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

This dealt with the purchase of materials from West Virginia Steel. District One has purchased a variety of products from this vendor. These purchases are made by various locations within District One. The transaction reviewed was for steel. Due to the frequent cost fluctuations with steel and steel related products we have not attempted to develop and request a contract for these products, however we will monitor future purchases and attempt to follow the purchasing regulations necessary to remain compliant. The total transactions with this vendor were \$35,396.22 consisting of several different items for several locations. As noted in our general explanation, it was never the intent of District One to violate purchasing procedures.

- 6) During the fiscal year under review, Division of Highways, District 1 spent a total of \$92,761.32 in 94 transactions for truck and equipment repair from WV Spring and Radiator.

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

This dealt with purchases of repairs and materials from WV Spring and Radiator. District One has purchased a variety of products from this vendor. These purchases are made by various locations within District One. The transaction reviewed was for a repair. The total transactions with this vendor were \$92,761.32 consisting of several different items for several locations. We will monitor future purchases and attempt to follow the purchasing regulations necessary to remain compliant. As noted in our general explanation, it was never the intent of District One to violate purchasing procedures.

Department of Transportation, Division of Highways, District 4:

- 1) During the fiscal year under review, Division of Highways, District 4 spent a total of \$26,035.18 in 71 transactions for core drill equipment rental from MPE Rentals.

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

District Four spent a total of \$26,035.18 with this vendor over the period covered by this inspection. MPE Rentals is a local vendor who can rent certain pieces of small equipment not covered under the equipment lease contract that District Four uses for building and ground maintenance. We believe there was no intentional stringing in any of these transactions, but the amount spent obligates us to obtain competitive bids for this type of commodity for the future. The District could not predict many of the events that required renting equipment of this nature, so it was not anticipated needing a contract at the time. In the future, we intend on performing a better job of properly educating the cardholders and devising a method to monitor ongoing purchases to avoid crossing over delegated purchasing limits without applicable bids and proper documentation.

- 2) During the fiscal year under review, Division of Highways, District 4 spent a total of \$62,369.63 in 149 transactions for raw steel fabrication services from Quality Machine Company.

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

District Four spent a total of \$62,369.63 with this vendor in the period covered by this inspection. Quality Machine is a local vendor who can supply raw steel materials and intricate fabrication services to provide customized parts that cannot be purchased commercially. Using this vendor eliminates a substantial amount of down time and costs that would be incurred if we pursued these services in-house. Going forward, our goal is to eliminate most of the random purchases of raw steel materials from this vendor, and only obtain those materials by establishing central contracts that have gone through the formal bidding process. This will reduce the amount spent with this vendor, allow us to continue purchasing the fabricated parts, and keep the aggregate total within the delegated threshold.

- 3) During the fiscal year under review, Division of Highways, District 4 spent a total of \$71,270.15 in 298 transactions for International truck parts from Newlons International Sales.

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

District Four spent a total of \$71,270.15 with this vendor in the period covered by this inspection. Newlons supplies parts for the International make of trucks in our fleet. This local vendor was being used by all our counties as well as our District Equipment Shop. Some of these transactions will be eliminated in the future by stricter adherence to the NAPA contract. Equipment repairs are unpredictable, so it would be difficult to forecast many of the OEM parts we would need in a rolling 12-month period. The ability to run wvOasis reports showing aggregate vendor totals would also help to reduce the amount spent by discovering these issues before they surpass our delegated spending limits. There was no intentional stringing any of the purchases under this finding. Continuous training, experience, and diligent oversight is the key.

- 4) During the fiscal year under review, Division of Highways, District 4 spent a total of \$25,442.25 in 31 transactions for auto body related services from SQ Loves Painting.

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

District Four spent a total of \$25,442.25 with this vendor in the period covered by this inspection. Loves is a local vendor who performs auto body related services. This vendor is normally the lowest bidder with the quickest turn-around time for these services in this area. For now, the District will work on developing an Agreement for auto body repair that will allow us up to \$25,000 in services over a 12-month period. Once we can access wvOasis reports to calculate total amounts spent, we will review the aggregate totals occasionally to ensure we are staying within our delegated spending limits with all vendors.

- 5) During the fiscal year under review, Division of Highways, District 4 spent a total of \$39,886.53 in 214 transactions for electrical components from State Electric Supply.

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

District Four spent a total of \$39,886.53 with this vendor over the 12-month period in review. This local vendor supplies electrical components used in the construction and repairs of District 4 facilities. During this period, District 4 began construction on a new wash bay structure that required the purchase of many electrical components. In the past, most of these components could be purchased under the INDEQP Statewide contract with Grainger. The current INEDQP contract is with Fastenal, but they are not able to supply the electrical components we need. The District will examine the future needs for electrical components and try to determine what could be included into a District contract. A contract would allow us to purchase these materials without fear of violation.

- 6) During the fiscal year under review, Division of Highways, District 4 spent a total of \$30,456.19 in 212 transactions for heavy-duty truck parts from Truck Pro.

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

District Four spent a total of \$30,456.19 with this vendor over the period reviewed. Truck Pro is a local vendor specializing in air brakes and other heavy-duty truck parts. They are almost always our lowest bidder when buying transmissions or brake parts, and very conveniently located. Going forward, more effort will go into finding other vendors where we can obtain bids on these items. Once we have the ability to run reports showing cumulative totals, we will be aware when spending limit gets close and be able to make other arrangements.

Department of Transportation, Division of Highways, District 5:

- 1) During the fiscal year under review, Division of Highways, District 5 spent a total of \$34,522.87 in 137 transactions for heavy equipment parts from Truck Enterprises, Inc.

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

Truck Enterprises, Inc. is a local vendor who sells, and services Isuzu, Volvo and Kenworth Trucks plus sells various other OEM heavy equipment parts. In District Five we have four (4) County Storekeepers and three (3) District Parts Storekeepers who purchased from this vendor. Due to our Agency not having contracts for certain large trucks and heavy equipment owned we must purchase parts locally.

- 2) During the fiscal year under review, Division of Highways, District 5 spent a total of \$44,567.51 in 83 transactions for heavy equipment and truck parts from Western MD International Truck, Inc.

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

*Western Maryland International Truck, Inc. is a local vendor who sells International brand truck parts. They have several stores, one (1) of which is within 20 minutes driving distance of our District. As a service agency, the public relies on the DOH to provide timely service to the roads throughout the district. Much of this service is dependent upon the maintenance and repair of equipment. Many of the purchases made with this particular vendor were due to the contracted vendor not meeting the timeframe for the delivery of ordered parts. Due to our Agency not having contracts for the large variety of various heavy equipment truck parts, we must purchase parts as they are needed. At the time of this review this District did not have a tool to monitor total spent with each vendor. Upon receiving this review District Five requested and received access to OASIS Financials BI Reports. We now have a tool to monitor totals spent with vendors. District Five in no way intentionally purchased over \$25,000.00 with this vendor. Going forward District Five will be monitoring totals spent with vendors. Additionally, our Agency now has a contract in place for international parts 70-16-0006/CMA DOT16*50.*

- 3) During the fiscal year under review, Division of Highways, District 5 spent a total of \$25,265.38 in 137 transactions for snowplow kits from Winter Equipment.

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

*Winter Equipment is a vendor who formally had a contract for Joma blades, plow guards and snowplow wear systems. Plow systems are not interchangeable with other manufactured parts. Once a certain brand is installed, then only parts from that brand will fit. It has been historically the Equipment Division's responsibility to write equipment parts contracts. When this contract expired District Five continued to wait for another plow contract to be awarded. In the meantime, we had equipment which had the "Winter Equipment" brand plow system installed and were bound to continue purchasing from this company until our Agency was able to obtain a new contract. Attached is a copy of "Sole Source" proving this vendor was the only available source for these items at that time. District Five in no way intentionally purchased over \$25,000.00 with this vendor. We are bound by state law to keep all roads safe and parts were needed for our plow systems to meet our Agency's obligations. As mentioned earlier District Five now has the tools to monitor our spending limit by vendor. Additionally, our Agency has written a new contract for these Joma blades and they are on Contract #70-18-0011/CMA DOTI 8*39.*

Department of Transportation, Division of Highways, District 7:

- 1) During the fiscal year under review, Division of Highways, District 7 spent a total of \$34,536.55 in 62 transactions for fabrication of parts from Quality Machine Company.

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

District Seven spent a total of \$34,536.55 with this vendor. This vendor is utilized for custom fabrication of parts needed for repair of vehicles. We will look for ways to establish a contract for this type of work.

- 2) During the fiscal year under review, Division of Highways, District 7 spent a total of \$33,315.16 in 262 transactions for heavy equipment parts from Cole Truck Parts.

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

District Seven spent a total of \$33,315.16 with this vendor. This local vendor supplies parts needed when repairing heavy equipment. The purchased parts are either not on an established contract or when contract vendors cannot provide needed items within an acceptable time frame. Purchasing these items from other vendors much further away would likely incur substantial shipping costs added to the invoice, along with extending costly down time to our equipment. At the time, it was concluded to be in the best interests of our organization to purchase these products from Cole Truck Parts. Although some of these purchases lacked documentation of competitive bidding, there was certainly no intention of circumventing the bidding process or to trying to string our purchases.

- 3) During the fiscal year under review, Division of Highways, District 7 spent a total of \$26,227.33 in 98 transactions for International truck parts from Newlons International Sales.

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

District Seven spent a total of \$26,227.33 with this vendor. Steel {sic} is purchased in large quantities for the District by formal bid. The purchased parts are either not on an established contact or when contract vendors cannot provide needed items within an acceptable time frame. Purchasing these items from other vendors much further away would likely incur substantial shipping costs added to the invoice, along with extending costly down time to our equipment. At the time, it was concluded to be in the best interests of our organization to purchase these products from Cole Truck Parts {sic}. Although some of these purchased lacked documentation of competitive bidding, there was certainly no intention of circumventing the bidding process or to trying to sting our purchases.

Department of Transportation, Division of Highways, District 8:

- 1) During the fiscal year under review, Division of Highways, District 8 spent a total of \$39,795.50 in 188 transactions for International truck parts from Newlons International Sales.

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

*We will again notify DOT purchasing personnel of the Agency contract for International truck parts (DOT16*50/7016C009) and require them to use this contract. We will monitor spending levels with vendors to identify commodities which need to have contracts.*

- 2) During the fiscal year under review, Division of Highways, District 8 spent a total of \$26,176.37 in 80 transactions for raw steel from Valley Steel.

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

We will process an RFQ for steel-angle iron, straight rods, strap & etc. We will monitor spending levels with vendors to identify commodities which need to have contracts.

- 3) During the fiscal year under review, Division of Highways, District 8 spent a total of \$27,709.71 in 12 transactions for snowplow parts from Winter Equipment.

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

There is now an agency contract for these blade systems. We will monitor spending levels with vendors to identify commodities which need to have contracts.

Department of Transportation, Division of Highways, District 9:

- 1) During the fiscal year under review, Division of Highways, District 9 spent a total of \$51,345.83 in 31 transactions for asphalt release from Engineering Chemistry.

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

Engineering Chemistry is a company that provides a high-quality asphalt release product that is environmentally friendly which allows for quicker clean up times and less product being utilized. After shopping other companies and seeing other products in use this was found to be the best product for the cost. With its effectiveness and quicker clean up times it allows for better productivity. There was no intent by District Nine employees to deliberately string purchases to this vendor. District Nine will prepare a Request for Quotation for an open-end contract for asphalt release products.

Department of Transportation, Division of Highways, District 10:

- 1) During the fiscal year under review, Division of Highways, District 10 spent a total of \$52,279.93 in 110 transactions for hydraulic hose products from Automotive Fasteners.

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

District Ten's Equipment manufactures hydraulic hoses "in house". District Ten had an agreement, dated 12/5/2013, with Automotive Fasteners. The hydraulic crimping machine and crimping dies were furnished at no-charge providing customer purchased hose, hose ends, and adapters from vendor. We do not believe it was the intent of any employee to circumvent the purchasing procedures by making purchases which might be construed as stringing. Through contract MVAPRTS17, NAPA will be providing hydraulic crimping machines and crimping dies to District Ten. Hoses, hose ends, and adapters will be purchased from NAPA.

- 2) During the fiscal year under review, Division of Highways, District 10 spent a total of \$200,177.61 in 266 transactions for equipment parts from DK Enterprises.

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

DK Enterprises is a local vendor that sells older or hard to find parts; and assists District Ten Equipment 24/7, especially during SRIC. We do not believe it was the intent of any employee to circumvent the purchasing procedures by making purchases which might be construed as stringing. District Ten Equipment is in the process of obtaining a contract.

- 3) During the fiscal year under review, Division of Highways, District 10 spent a total of \$59,431.52 in 50 transactions for hydraulic motor repair from Mills Service.

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

District Ten Equipment alternates hydraulic motor repair between Princeton Machinery, Carter Machinery and Mills Services. Mills Service was the only vendor at the time that had the following; lowest credit card fees, better quality workmanship, and lower prices. We do not believe it was the intent of any employee to circumvent the purchasing procedures by making purchases which might be construed as stringing.

- 4) During the fiscal year under review, Division of Highways, District 10 spent a total of \$50,478.64 in 35 transactions for propane from Suburban Propane.

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

Propane is used for heating purposes at various locations throughout the district. Changing vendors requires the removal an installation of new tanks which are vendor owned. See attachments. We do not believe it was the intent of any employee to circumvent the purchasing procedures by making purchases which might be construed as stringing. District Ten Equipment is in the process of obtaining a contract for propane.

- 5) During the fiscal year under review, Division of Highways, District 10 spent a total of \$26,931.70 in 44 transactions for raw steel fabricating services from Virginia Steel and Fabrication.

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

Virginia Steel is a local vendor who provides the service of fabricating raw steel for the equipment shop. We do not believe it was the intent of any employee to circumvent the purchasing procedures by making purchases which might be construed as stringing. District Ten will process an RFQ for steel fabrication.

Department of Transportation, Division of Highways, Equipment Division:

- 1) During the fiscal year under review, Division of Highways, Equipment Division spent a total of \$28,510.00 in 2 transactions for brush brooms from Construction Municipal.

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

The Equipment Division spent a total of \$28,510.00 with this vendor on two different occasions in purchasing a total of 2 brush brooms for two dump trucks to sweep material off roadways. The Equipment Division will work with the Purchasing Division to establish equipment contracts for the purchase of items similar to this in the future. The Equipment Division will continue to forecast needs and develop contracts with the Purchasing Division to alleviate these concerns.

