



February 2013  
PE 12-23-534

## ANNUAL PURCHASING PERFORMANCE AUDIT

# INSTITUTIONS FOR HIGHER EDUCATION NEW RIVER COMMUNITY AND TECHNICAL COLLEGE

## AUDIT OVERVIEW

Although No Purchasing Violations Were Found at New River Community and Technical College, It Needs to Give Greater Priority to Completing the Development of Its Purchasing Procedures



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WEST VIRGINIA LEGISLATIVE AUDITOR

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## EXECUTIVE SUMMARY

This performance review of New River Community and Technical College (New River) is the annual higher education purchasing audit authorized by West Virginia Code §18B-5-4(r). The Legislative Auditor conducted a review of New River's purchases related to its grant programs and the existing policies and procedures for New River's procurement process. The Legislative Auditor found that although New River has not violated any state guidelines for purchasing, it should update its purchasing policies and procedures to reflect the multiple campuses of New River.

This report contains the following issue:

### Report Highlights:

#### **Issue 1: Although No Purchasing Violations Were Found at New River Community and Technical College, It Needs to Give Greater Priority to Completing the Development of Its Purchasing Procedures.**

- New River has not violated any state purchasing guidelines with purchases made for its Community and Technical College System grant programs.
- Although New River has made some updates to its purchasing policies and procedures, it is using purchasing manuals that were adopted from Bluefield State College and that have not been updated to reflect the multiple campuses at New River.
- The lack of a purchasing manual that is specific to New River and the use of unwritten procedures cause inefficiencies, higher risk of non-compliance with state purchasing requirements, and the potential for inconsistency across the five campuses at New River.

### Recommendations

1. *The Legislative Auditor recommends that New River prioritize establishing its own purchasing manuals to include all campus-wide purchasing policies and procedures that reflect the needs of the multiple campuses of New River.*
2. *The Legislative Auditor recommends that New River determine and set a deadline for the requirement that each campus have written procedures for receiving equipment, packages, and materials.*
3. *The Legislative Auditor recommends that New River test the implementation of all of its purchasing procedures through routine monitoring and training.*



## Overview

The Legislative Auditor's overall conclusion is that New River Community and Technical College (New River) is adhering to the purchasing guidelines developed by the Higher Education Policy Commission (HEPC). The Legislative Auditor found no evidence of purchasing violations at New River. However, New River is still in a developmental stage in establishing centralized purchasing procedures for a five-campus institution. Since 2008, New River has used the written purchasing procedures contained in the Bluefield State College manual. This manual is being used because New River was formerly associated with Bluefield State College, and it was convenient to use in the meantime while developing its own purchasing manual. The Bluefield State College manual is based on HEPC purchasing guidelines, but it was written for a one-campus institution, not a five-campus institution such as New River. The manual makes no references to New River personnel, it does not establish the Beckley campus of New River as the centralized office for all purchasing, and it contains purchasing procedures and forms that do not apply to New River. As a result, purchasing staff at New River are relying on verbal directions and communications from Beckley in certain purchasing matters. This creates some inefficiencies, risks of noncompliance, and a potential for a lack of uniformity from each campus. New River is making attempts to develop its own written purchasing procedures; however, the process has been slow. Given the amount of time that has transpired and the associated risks, the institution needs to devote more priority towards establishing its own written purchasing procedures.

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### Background on the Development of New River

New River has developed its governing structure, administration and programs over the past decade (2003-2013). New River was officially created on July 1, 2003. It was created by the Legislature from community college programs established by two separate baccalaureate institutions, Glenville State College (Glenville) and Bluefield State College (Bluefield). The first members of the Board of Governors were appointed March 1, 2005. New River was accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools on February 8, 2005. During this time, New River maintained administrative links and shared services with Bluefield. These administrative links to Bluefield ended in 2008.

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*Given the amount of time that has transpired and the associated risks, the institution needs to devote more priority towards establishing its own written purchasing procedures.*

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From 2008 to 2012 the number of staff employed at New River has increased from 73 to 153. Table 1 shows the annual increase in staff size during this time.

<b>Table 1 New River Employees</b>					
Year	CY 2008	CY 2009	CY 2010	CY 2011	CY 2012
New Hires	10	32	30	27	34
Total Staff*	73	97	119	139	153
<i>Source: New River Community and Technical College (unaudited).</i> <i>*As of August 16 of each year.</i>					

New River consists of five separate campus locations in Beckley, Ghent, Princeton, Lewisburg, and Summersville. The central administrative offices are located in Beckley. Purchasing activities operate under direction from the main purchasing office. The Vice President for Finance and Administration is responsible for the financial integrity of the college and oversees all financial, accounting and purchasing activities for New River. The Director of Purchasing operates the purchasing office and administers, supervises and coordinates the purchasing operations of New River on all campuses. The Beckley purchasing department has one fulltime and one part-time employee. Both the Vice President for Finance and Administration and the Director of Purchasing began working at New River in 2010.

New River serves a nine-county area including Fayette, Greenbrier, Mercer, Monroe, Nicholas, Pocahontas, Raleigh, Summers and Webster counties. The campuses are located in Raleigh, Mercer, Greenbrier and Nicholas counties as shown in Appendix C on page 21.

## ISSUE 1

### **Although No Purchasing Violations Were Found at New River Community and Technical College, It Needs to Give Greater Priority to Completing the Development of Its Purchasing Procedures.**

#### **Issue Summary**

The Legislative Auditor examined several areas of purchasing at New River Community and Technical College. No purchasing violations were found, and evidence indicates that the school is following the purchasing guidelines as set out by the Higher Education Policy Commission. However, since the five-campus institution was created in 2003, New River is still developing procedures to have all purchasing centralized through its main campus in Beckley, West Virginia. This process has been relatively slow and as a result the school's internal controls, with respect to purchasing, have areas of concern. The areas that need to be addressed are:

- New River has not written its own purchasing manual. Instead, it continues to use purchasing manuals from Bluefield State College with which it formerly had administrative ties. The Bluefield State manuals do not reference New River personnel, they have procedures and forms that do not apply to New River, and they are not relevant for a five-campus institution since Bluefield has only one campus.
- The lack of written purchasing directives causes purchasing staff to rely on verbal instructions for many purchasing practices. This is not only an inefficient use of the Purchasing Director's time, but it also increases the risk of non-compliance with purchasing requirements, and creates the potential for inconsistency across the five campuses.
- New River has been slow to establish policies and procedures for centralized control of purchasing. New River began drafting new purchasing documents in July 2012.

The Legislative Auditor recommends that New River give greater priority to completing the development of written purchasing procedures that are specific for centralizing purchasing for New River's five campuses.

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## **New River Purchasing Follows the Principles of HEPC Guidelines**

The Higher Education Policy Commission (HEPC) has created a purchasing manual which is the standard policy document that outlines how purchasing activities (permitted under WVC §18B-5-4) are to be carried out. One purpose of the HEPC purchasing manual is to provide methods for procurement at higher education institutions to:

*“ensure that purchases, receiving, inventory management and disposal of surplus, obsolete and unusable materials, supplies and equipment are handled within the parameter of state law, and the rules, policies and procedures established by the Council and Commission.”*

Institutions of higher education may adopt their own procedures specific to their own institution using the HEPC manual as a basis.

The Legislative Auditor examined the purchasing practices and written purchasing procedures developed by New River. The Legislative Auditor found that the appropriate steps are being taken at New River to purchase items according to HEPC guidelines. Purchases were examined to determine if quotes had been taken for purchases between \$5,000 and \$24,999 and either bids developed, or existing contracts used for purchases over \$25,000. Payments were reviewed and the Legislative Auditor determined that stringing (to avoid bidding or purchasing from a contract) had not taken place. There was no evidence of any purchasing violations and no actions that appeared to be out of compliance with purchasing guidelines. **For the most part, New River purchasing practices follow state code requirements.**

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*The Legislative Auditor found that New River does not have a written manual that reflects its own purchasing practices, and New River does not have uniform written procedures.*

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## **New River Has Not Completed Written Purchasing Procedures**

New River is struggling to establish the central authority of its Beckley purchasing office over the other campuses. New River is still developing its own purchasing policies and procedures to provide a consistent, uniform and central purchasing practice across all campuses. The Legislative Auditor found that New River does not have a written manual that reflects its own purchasing practices, and New River does not have uniform written procedures. While it is moving in this direction, the process is relatively slow and the purchasing manual is far from complete. New River has to rely on verbal communication instead of its own written

manual. The Purchasing Director noted that employees generally call her when they have a question relating to purchasing instead of consulting the manual. Verbal directives for several locations increase the risk of non-compliance and inconsistency from one campus to another. This creates an inefficient use of the Purchasing Director's time when a written document could be available to all employees, containing specific direction for purchasing procedures to be followed.

New River's Board of Governors adopted a purchasing policy (BOG Policy 29<sup>1</sup>) on March 1, 2005. This policy provides purchasing definitions and establishes the authority of the newly-created college to make purchases. Its direction is general and not specific. For example, from reading this policy, employees might not be aware of New River's decision that all purchases are to be made from existing state, federal or HEPC 'piggyback' contracts.

While New River was still administratively linked to Bluefield State from 2003 to 2008, it adopted two purchasing manuals from Bluefield. One purchasing manual is for reference regarding general college purchasing and the other is for reference regarding the use of purchasing cards (P-cards). New River also contracted for services from the Purchasing Director at Bluefield to assist New River during the transition to a separate institution. This employee was contracted from July 1, 2009 to June 30, 2010.

The general purchasing manual was adopted in 2008 and is based on HEPC guidelines. It was intended to be used as the central authority in guiding purchasing activities at New River. However, this manual is not applicable to New River in 2012. The 2008 Bluefield purchasing manual contains the following problems for application to the New River campuses.

- The manual does not establish the Beckley campus as the central purchasing authority.
- The manual has contact information for Bluefield personnel, not New River personnel.
- The manual has some purchasing procedures and forms that are not used at New River.

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*The general purchasing manual was adopted in 2008 and is based on HEPC guidelines. However, this manual is not applicable to New River in 2012.*

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<sup>1</sup>BOG Policy 29 was adopted from the West Virginia Community and Technical College System's Title 135, Series 30 Rule.

- The manual describes receiving, disposing and inventory procedures for a one-campus environment, while New River is a five-campus institution.

This general purchasing manual is still on the New River intranet for college employees and is the manual that was provided to the Legislative Auditor at the beginning of this audit. This manual has not been updated to include policies, procedures and internal control measures that are presently being followed by New River in the areas of receiving, disposal, inventory, and electronic signature purchase approval for purchases over \$1,000. The P-card manual also does not have New River contact information and it does not establish the Beckley campus as the central purchasing authority. The Vice President for Administration and Finance says that New River would like to update the P-card manual but has not taken any steps to implement the project.

It is important that the policies and procedures controlling purchasing activities be written, and reflect the campus design and the unique needs of the institution. It appears that New River intended to use the principles and requirements of Bluefield's manuals as a basis for its own purchasing manuals. However, Bluefield's manuals have been kept in use much longer than they should because New River continues to work on developing its own purchasing manuals. When New River's purchasing policies and procedures are not clearly defined in the Bluefield manual, the staff does not know how to proceed. Administrators may find it difficult to determine if New River is following policy or state code.

New River has made some progress in establishing its own written purchasing procedures. It has implemented two control activities and taken steps to establish written purchasing and receiving procedures in addition to revising the purchasing manual. The primary purchasing control activity is the adoption of an electronic approval system for any purchase, on any campus, that is at or above \$1,000. This allows designated individuals where the purchase is located to review and sign-off on the purchase before it is sent to the Vice President of Finance and Administration for final approval. This system helps to efficiently facilitate consistent purchasing practices across New River's five campus locations. Employees have been trained in the use of this system. New River has also purchased software that will be integrated with the overall financial information system and a barcode/scanner system to assist in the inventory-taking process.

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*When New River's purchasing policies and procedures are not clearly defined in the Bluefield manual, the staff does not know how to proceed. Administrators may find it difficult to determine if New River is following policy or state code.*

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During the course of the audit, New River developed two purchasing and receiving documents to direct the New River procurement process. These are:

- 1) **New River Purchasing Process-** Summarizes basic actions employees should take when procuring materials.
- 2) **New River Campus-wide Receiving Process-** Outlines general procedures for employees who are receiving materials or packages.

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*During the course of the audit, New River developed two purchasing and receiving documents to direct the New River procurement process.*

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These documents have been issued to New River staff. Finally, New River is revising its general purchasing manual although there is no completion date and the manual appears to the Legislative Auditor to be in the very early stages of revision. **The Legislative Auditor recommends that New River give greater priority in completing the written purchasing procedures that are specific to the school's internal control environment.**

## **Examples of Unclear Directives in the Outdated Manual**

Internal control procedures for purchasing functions at New River are unclear because the written procedures described in the 2008 Bluefield purchasing manual do not always apply to the five campuses at New River. During this audit, New River began to write a new purchasing manual. It is important that New River create its own purchasing manual so that all employees understand how to properly make purchases, receive and dispose of equipment. New River needs such a procedural document in place to protect its resources by establishing internal control measures, which include the policies, procedures, techniques and mechanisms that enforce management's directives.

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*It is important that New River create its own purchasing manual so that all employees understand how to properly make purchases, receive and dispose of equipment.*

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The Legislative Auditor examined two areas of purchasing in the 2008 Bluefield manual. They are receiving of purchases and the disposal of equipment.

### ***Receiving***

New River does not have centralized receiving at the Beckley campus. Instead, all five campuses receive purchases at their respective locations. However, receiving directions in the 2008 Bluefield purchasing manual are as follows:

*“24.0 Deliveries of supplies and equipment shall be directed to the Purchasing Office. If items are large or heavy, they are to be directed to Maintenance. Once items have been received and checked in they will be sent to the proper department or office. If merchandise is delivered directly to a department or office, please notify the Purchasing Office immediately and prior to the merchandise being put in use.”*

This describes a centralized receiving procedure which is not applicable for employees on the different New River campuses. During the course of this audit, New River developed a document separate from the 2008 purchasing manual that outlines a five-step process that each campus is supposed to follow for receiving. Each campus is also supposed to use this document to *write its own individual receiving procedure*. However, the Legislative Auditor finds that only the Advanced Technology Center (ATC) in Ghent has written and adopted its own procedures for receiving. The other four campuses should write their receiving procedures in accordance with the process directed by the Beckley purchasing office.

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*The Legislative Auditor finds that only the Advanced Technology Center (ATC) in Ghent has written and adopted its own procedures for receiving. The other four campuses should write their receiving procedures in accordance with the process directed by the Beckley purchasing office.*

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### ***Disposal***

Surplus equipment or supplies at institutions of higher education may not be sold to individuals, given away, or thrown away other than in conformance with higher education guidelines. New River does not have a centralized process, or decentralized procedure for the disposal of items and equipment. According to the 2008 Bluefield purchasing manual:

*“18.4.2 No equipment or supplies purchased for or donated to NEW RIVER COMMUNITY AND TECHNICAL COLLEGE may be sold, given or thrown away by any division or office. ... 18.4.3 In order to surplus items, a memorandum must be sent to the Inventory Office detailing each item or group of items to be surplus. Information must also be listed on a BSC transfer form. Transfer forms are available in the supply room at a nominal fee. A properly completed form must include: item description, BSC tag number, serial number, model number, and building and room number for items. Memorandum [sic] must have approval of division or department head, and major administrator’s approval.”*

The purchasing manual shows New River’s name inserted and

also has references to BSC (Bluefield). The manual outlines specific procedures that must be followed to ensure that the appropriate procedures are followed. However, most of the section on surplus equipment and disposal refers to forms used by Bluefield.

New River has not disposed of any surplus equipment. However, surplus equipment has been moved to the ATC in Ghent in anticipation of an auction of the items. There is currently no date planned for the auction.

## Conclusion

New River's purchasing activities are in line with state guidelines. However, the school needs to develop its own purchasing manual that is representative of the institution. New River's present reliance on verbal direction is inefficient and provides the risk of employees' failure to understand or remember the directives. The risk of inconsistent practices and non-compliance increases without written purchasing procedures. Written information provides the framework for any institution's internal control of purchasing operations. Written policies and procedures standardize purchasing activities, define, and establish internal controls to protect institutional resources. Internal controls should be written in order to provide employees with clear directives for the various purchasing functions (purchasing, receiving, disposing and inventory), and to facilitate training of employees. The dissemination of proper procedures is an important element of an internal control environment. **The Legislative Auditor recommends that the completion of the New River purchasing manuals be prioritized to provide consistent and uniform purchasing practices across its five campuses.**

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*The risk of inconsistent practices and non-compliance increases without written purchasing procedures. Written information provides the framework for any institution's internal control of purchasing operations.*

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## Recommendations

1. *The Legislative Auditor recommends that New River prioritize establishing its own purchasing manuals to include all campus-wide purchasing policies and procedures that reflect the needs of the multiple campuses of New River.*
2. *The Legislative Auditor recommends that New River determine and set a deadline for the requirement that each campus have written procedures for receiving equipment, packages, and materials.*

3. *The Legislative Auditor recommends that New River test the implementation of all of its purchasing procedures through routine monitoring and training.*

## 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

January 23, 2013

Merle Dempsey, Ed. D.  
Interim President  
New River Community and Technical College  
221 George Street, Suite 2  
Beckley, WV 25801

Dear Mr. Dempsey:

This is to transmit a draft copy of the Performance Review of New River Community and Technical College. This report is scheduled to be presented during the February 10-12, 2013 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 the committees may have.

If you would like to schedule an exit conference to discuss any concerns you may have with the report, please notify us by January 25, 2013. We need your written response by noon on Thursday, January 31, in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday, February 7, 2013 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 blue ink that reads "John Sylvia".

John Sylvia

*Joint Committee on Government and Finance*



## 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 New River Community and Technical College (New River) as required and authorized by West Virginia Code §18B-5-4(r). The purpose of New River, as established in West Virginia Code §18B-3C-4 and §18-3C-8, is to serve as a facilitating institution for the counties of Raleigh, Summers, Fayette, Nicholas, Webster, Pocahontas, Greenbrier, Monroe and Mercer 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.

### Objective

The purpose of this review is to determine if New River has complied with state code and the Higher Education Purchasing Procedures Manual, evaluate New River's purchases for its Community and Technical College System (CTCS) grant programs, and its purchasing card (P-card) usage and expenditures for the grant programs. These purchases were also examined for incidences of stringing. The Legislative Auditor reviewed purchases over \$25,000 to determine if bids were sought when required. In addition, this review assessed the internal controls in place at New River as established through its procurement process.

### Scope

The scope of this review consisted of the period from July 1, 2008 through September 30, 2012. New River's purchasing policies and procedures were assessed to determine whether effective internal controls existed in the purchasing process. In addition, existing contracts through FY 2011 and purchase card (P-card) inventory reports through FY 2011 were reviewed. All purchases made for the CTCS grant programs from FY 2008 through 2012 were reviewed to determine if New River employees followed state purchasing guidelines, including examining individual p-card records.

### Methodology

Written purchasing policies and procedures adopted by New River were reviewed and assessed to determine if the written guidelines were applicable to the purchasing requirements of New River, and if they established procedures for the college that provided adequate internal controls. Testimonial evidence was gathered for this purchasing review through interviews with New River's staff at campuses and administration offices at Beckley, Ghent, Lewisburg and Summersville and was confirmed by written statements and in some cases by corroborating evidence. Direct observation was made to review the purchasing procedures that were used on the campuses. This information was used to assess purchasing procedures of the grant programs as well as internal control measures such as receiving and disposal procedures.

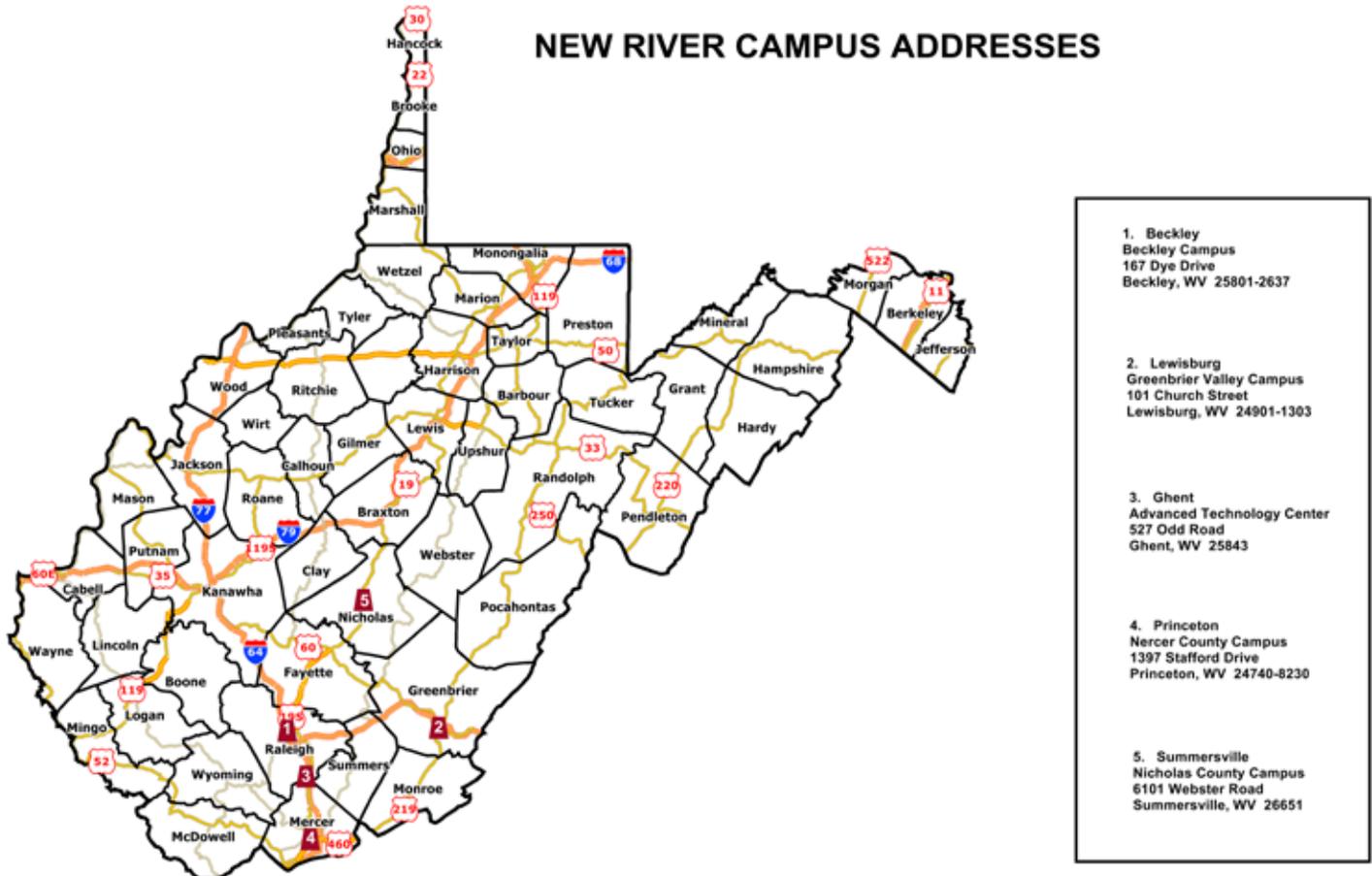
These processes were not standardized through written procedures on three of four campuses visited. The information gathered from these visits was determined to be sufficient in understanding procedures and assessing controls.

Purchases over \$25,000 listed on the State Auditor's website were examined and reviewed to determine if bids were sought when required and to check for any incidences of stringing. One purchase totaling over \$100,000, was made from Amtek for the Mechatronics program, which receives grant funding. The bids and contract for this purchase were made by the West Virginia Council for Community and Technical College System (CTCS). PERD examined the bid documents and the decision to award the contract.

Expenditures from the grant programs from FY 2008 through 2012 were reviewed. The other purchases over \$25,000 were made from existing state contracts. Stringing was not observed. Also for the grant program expenditures, individual P-card records were requested from New River and reviewed to determine if state purchasing guidelines were being correctly followed. The Legislative Auditor did not find any misuse of P-cards in relation to the grant program purchases.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The Legislative Auditor believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix C: New River Campus Addresses



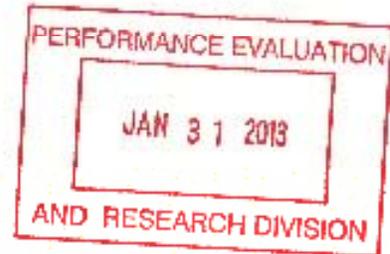


## Appendix D: Agency Response



January 30, 2013

John Sylvia, Director  
 WV Legislature Performance Evaluation and Research Division  
 Building 1, Room W-314  
 1900 Kanawha Boulevard, East  
 Charleston, West Virginia 25305-0610



Dear Director Sylvia:

In response to your correspondence dated January 23, 2013 concerning the Performance Review of New River Community and Technical College, we are pleased that your auditing team reported "New River's Community and Technical College (New River) is adhering to the purchasing guidelines developed by the Higher Education Policy Commission (HEPC). The Legislative Auditor found no evidence of purchasing violations at New River."

Below is our response to the Recommendations:

1. *The Legislative Auditor recommends that New River prioritize establishing its own purchasing manuals to include all campus-wide purchasing policies and procedures that reflect the needs of the multiple campuses of New River.*

New River will complete the purchasing manual and have it available for distribution to the Joint Committees on Government Organization and Government Operations during the February 10-12, 2013 interim meeting.

2. *The Legislative Auditor recommends that New River determine and set a deadline for the requirement that each campus have written procedures for receiving equipment, packages, and materials.*

New River will complete the written procedures for receiving equipment, packages, and materials and have them available for distribution to the Joint Committees on Government Organization and Government Operations during the February 10-12, 2013 interim meeting.

[www.newriver.edu](http://www.newriver.edu)

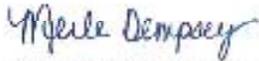
<b>Central Administration</b> 221 George Street Suite 2 Beckley, WV 25801 304.829.6446 304.829.5170 Fax	<b>Advanced Technology Center</b> 527 Dodd Road PO Box 307 Ghent, WV 25843 801.829.3300 304.829.8799 Fax	<b>Beckley Campus</b> 167 Dye Drive Beckley, WV 25801 304.829.5450 304.829.5482 Fax	<b>Greenbrier Valley Campus</b> 101 Church Street Lawlburg, WV 24801 304.647.6560 304.647.6581 Fax	<b>Mercer County Campus</b> 1387 Stafford Drive Pinckelton, WV 24740 304.425.5858 304.425.0080 Fax	<b>Nicholas County Campus</b> 6101 Webster Road Summersville, WV 26661 304.872.1296 304.872.3567 Fax
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3. *The Legislative Auditor recommends that New River test the implementation of all of its purchasing procedures through routine monitoring and training.*

New River will test the implementation of all of its purchasing procedures through routine monitoring and training. The tests and any subsequent findings will be concluded and implemented by the end of FY13.

If we can provide any additional information or be of further assistance, please feel free to contact us.

Sincerely,



Merle Dempsey, Ed.D.  
Interim President



WEST VIRGINIA LEGISLATIVE AUDITOR

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