

Purchasing Performance Audit

MARSHALL UNIVERSITY



101 Southpointe Drive, Suite E
Edwardsville, IL 62025
v.618.692.9085 f.618.692.9086

Issue Date: January 4, 2011

TABLE OF CONTENTS

1.	INTRODUCTION AND EXECUTIVE SUMMARY	1
2.	USER SATISFACTION ASSESSMENT	10
3.	BEST MANAGEMENT PRACTICES ASSESSMENT	21
4.	OVERALL COMPLIANCE REVIEW	44

1. INTRODUCTION AND EXECUTIVE SUMMARY

1. INTRODUCTION AND EXECUTIVE SUMMARY

This report presents the results and findings of the purchasing performance audit conducted for Marshall University by the Matrix Consulting Group.

A. AUDIT SCOPE AND OBJECTIVES.

The purpose of the purchasing performance audit was to conduct an “independent performance audit of all purchasing functions and duties” pursuant to West Virginia Code Sections 18B-5-4. This review is required to be conducted every three years and to cover the time period that had elapsed from the preceding audit. Because the prior compliance audit had not been completed on the normal schedule due to internal changes in staffing, the time period covered by this audit was July 1, 2004 through June 30, 2009. This review was conducted in accordance with GAGAS for performance audits.

Specific tasks requested in the scope of services contained within the request for proposal included:

- Compliance with state law, the rules, policies, procedures of the Marshall University Board of Governors as they apply to purchasing, receiving, supplies and equipment.
- Determine whether professional procurement procedures are established and maintained within the University.
- Has the CPO been properly designated as CPO by the President or executive officer of the institution and is there a properly executed Designation of Chief Procurement Officer Form on file at the institution and has this form been properly filed as required? In general, is the CPO performing the CPO’s responsibilities, duties and remedies outlined in the Marshall University Board of Governors Policy and duly adopted Purchasing Manual.
- Has the CPO delegated authority to Buyers and has the delegation been made according to the Marshall University Board of Governors Policy and duly adopted

Purchasing Manual? Do the buyers meet the minimum qualifications established in the West Virginia Code to be employed as buyers?

- Specifically, are the provisions of the Marshall University Board of Governor's Policy and duly adopted Purchasing Manual are being followed for purchases in the following categories:
 - Purchases not exceeding \$5,000;
 - Purchases greater than \$5,000 but not exceeding \$25,000; and
 - Purchases greater than \$25,000.
- Have institutional guidelines and procedures for purchases of \$5,000 and less been established, approved and filed by the CPO as required by the Marshall University Board of Governors Policy and duly adopted Purchasing Manual.
- Are the requirements of the Governing Boards Purchasing procedures manual being followed?
- Determine if the Purchasing Card Program is being managed by the institutions in conformance with West Virginia code Section 12-3-10a and Title 148CSR7.
- Determine if the provisions of State Law and Board of Governors approved Procurement Rules are being followed for purchases in the following categories:
 - Purchases under \$5,000 made on the P-Card;
 - Purchases of Services;
 - Purchases of Construction.
- Identify "Best Business Practices" at Marshall University, from other states or the private sector that the audit firm would recommend be adopted by the institutions to improve efficiency and performance.
- Evaluate purchasing staff levels and activity at the institutions and compare them to staffing and purchasing activities for other public entities.
- Make recommendations that the audit firm believes would improve efficiency and accountability at the institution level and system-wide, including combining some or all purchasing functions.
- Identify factors inhibiting efficient and satisfactory performance and identify ways of making purchasing work better at both the system and institution levels.
- Recommendations on utilizing bulk purchasing, reverse bidding, electronic marketplace, etc. to take advantage of economies of scale and efficient operations.
- Recommendations on additional flexibility in purchasing rules, policies, procedures and state law that would improve efficiency and execution.

- Identify internal controls that should be implemented at the institutions and at the system level by the Commission.

Each of these areas have been evaluated and items of note are outlined in the following sections of the report.

B. OVERALL ASSESSMENT

The project team's evaluation noted no material findings of deficiency in the performance audit of the Marshall University procurement practices and compliance with state and university laws and regulations. Several strengths were identified and are detailed in Section 3 of this report. At the same time, several opportunities for improvement were noted and are also contained within Section 3 of this report. The recommendations for improvement outlined in this section are practices or changes that if implemented would enhance the overall procurement function and/or increase service to the user departments. These recommendations were developed based upon the unique operating environment of Marshall University and are designed to further implement recognized best procurement practices into the Office of Purchasing. Section 4 of this report provides a more detailed analysis and discussion of specific compliance functions, items noted, and recommended actions to enhance compliance or improve efficiency as required under the West Virginia Code Section 18B-5-4.

The Procurement Staff have identified and are currently pursuing the implementation of several items that will greatly increase the effectiveness and efficiency of the procurement function at Marshall University.

C. LISTING OF RECOMMENDATIONS

The following table is provided for ease of reference as a summary of the major recommendations contained within the report.

Recommendation
The procurement manual should be reviewed at least every three years for updating as needed. Ideally, this review would occur the year prior to the conduct of a performance audit.
A formal on-going training program should be established for all buyers to maintain skills and provide skills enhancement.
An annual vendor training sessions should be provided to acquaint potential vendors on how to do business with the University. When available, Marshall University should participate in vendor training / fairs conducted by the Director of Purchasing for the State of West Virginia.
Additional vendor training programs should be implemented – especially to assist smaller and local vendors in navigating the procurement process. An on-going vendor evaluation system should be established that required evaluation of each vendor’s performance. Initially, this effort should be focused on contracts exceeding \$100,000.
Vendors should be able to request inclusion on vendor lists for future procurement opportunities on-line through the Marshall University website.
The Office of Purchasing should work with WVU to determine the applicability and potential to share in the utilization of “best in class” efforts that have been implemented by WVU in the last several years. These include the SciQuest system (a system that makes available, through a central source, purchasing of commodities off established contracts). This system is designed to increase utilization of purchasing cards, increase the availability of business intelligence, and enable payments to be made immediately upon receipting.
Buyers should be provided p-cards to enable immediate procurement of selected goods without the need for issuance of a purchase order for small dollar value purchases.
The weekly and monthly reports developed by staff regarding p-card utilization should be more fully utilized and enhanced to enable greater evaluation of transactions for potential misuse and stringing.
Procedures to utilize standard reports and conduct periodic analysis should be put into place to review non-competitively awarded contracts that are given to vendors in an effort to limit the number awarded to the same vendor from different departments. This is a critical issue to maintaining compliance with the State requirements that purchases in excess of \$25,000 should be competitively bid.
On-line services should be enhanced to include: <ul style="list-style-type: none"> - Electronic submission of RFQ processes. - Electronic signature authority should be developed and implemented to enable greater utilization of on-line services for formal bid responses. - Posting of bid tabulations on-line after bid opening. - Posting of award notifications.

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Recommendation
Marshall University should enter into discussions with WVU for acquiring use of the small construction projects software system that enables electronic bid distribution, response receipt, and processing for minor construction projects (i.e. – those under \$25,000).
On-going spend analysis and procurement reports should be developed that enable staff to better evaluate procurement actions including identification of additional opportunities for developing university wide contracts, conducting spend analysis, and identification of potential purchase order stringing. Available business intelligence is currently limited due to high use of p-cards and the inability to retrieve detailed commodity code purchase details from these transactions. The University should work to standardize the commodity codes utilized for purchase orders and p-card transactions.
The procurement software should be modified to provide for easier and more detailed tracking of special procurement actions (such as sole source purchases, emergency purchases, etc.). Currently these are not identifiable within the system.
Additional efforts should be made to ensure that all supporting documentation relative to purchases is filed in the purchase order file. The CPO should develop an internal policy outlining documentation requirements for procurement files.
Departments should be required, as part of their submission in support of a sole source purchase, to provide copies of the relevant sections of any applicable research grants or contracts. A sole source authorization form should be implemented to ensure consistent provision of information and formal documentation of the approval.
Marshall University should implement a “best pricing” clause within sole source purchase orders to assist in obtaining better pricing.
Greater education of user department staff should be conducted to make them aware of available cooperative purchasing opportunities and established contracts for procuring goods. Consideration should be given to requiring users to purchase off established contracts unless a reasonable operational reason exists for procuring from an alternative source (even if the p-card is utilized). All authorized departmental users should attend a training session on the procurement policy at least once every three years.
Additional staff support should be provided to those individuals in buyer functions to provide them additional time to spend on the “high value” procurement responsibilities rather than clerical functions. At the present time, the only staff support is a temporary part-time office assistant. The Office of Purchasing should have at least one full-time administrative support position.
The Office of Purchasing should work with the Marshall University Board of Governors to adopt a records retention policy in accordance with State of West Virginia requirements. Following adoption, the Office of Personnel should seek authorization for destructions of records that fall outside of the statutory requirements for record retention.

More detailed discussion and background on these recommendations is contained in the following sections.

D. MANAGEMENT RESPONSE.

The following table outlines the response of Management to each finding or recommendation where the University is not in complete concurrence with the recommendation or finding made by the project team. Where the University is in agreement, a response of “concur” is shown.

Recommendation	Management Response
The procurement manual should be reviewed at least every three years for updating as needed. Ideally, this review would occur the year prior to the conduct of a performance audit.	Concur.
A formal on-going training program should be established for all buyers to maintain skills and provide skills enhancement.	Concur.
An annual vendor training sessions should be provided to acquaint potential vendors on how to do business with the University. When available, Marshall University should participate in vendor training / fairs conducted by the Director of Purchasing for the State of West Virginia.	Concur.
Additional vendor training programs should be implemented – especially to assist smaller and local vendors in navigating the procurement process. An on-going vendor evaluation system should be established that required evaluation of each vendor’s performance. Initially, this effort should be focused on contracts exceeding \$100,000.	The Office of Purchasing will expand both the webpage for navigating the procurement process and one-on-one training as budgetary resources allow. There is some training that currently takes place through the mandatory pre-bids. Marshall does not feel that a formal on-going vendor evaluation system is warranted at this time; feedback is received from campus constituents on vendor performance through the contract performance process.
Vendors should be able to request inclusion on vendor lists for future procurement opportunities on-line through the Marshall University website.	Concur.

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Recommendation	Management Response
<p>The Office of Purchasing should work with WVU to determine the applicability and potential to share in the utilization of “best in class” efforts that have been implemented by WVU in the last several years. These include the SciQuest system (a system that makes available, through a central source, purchasing of commodities off established contracts). This system is designed to increase utilization of purchasing cards, increase the availability of business intelligence, and enable payments to be made immediately upon receipting.</p>	<p>Concur.</p>
<p>Buyers should be provided p-cards to enable immediate procurement of selected goods without the need for issuance of a purchase order for small dollar value purchases.</p>	<p>Marshall feels that providing p-cards to buyers would be counter-productive in regard to internal controls. Additionally, small dollar purchase orders are processed as an exception.</p>
<p>The weekly and monthly reports developed by staff regarding p-card utilization should be more fully utilized and enhanced to enable greater evaluation of transactions for potential misuse and stringing.</p>	<p>Concur.</p>
<p>Procedures to utilize standard reports and conduct periodic analysis should be put into place to review non-competitively awarded contracts that are given to vendors in an effort to limit the number awarded to the same vendor from different departments. This is a critical issue to maintaining compliance with the State requirements that purchases in excess of \$25,000 should be competitively bid.</p>	<p>Concur.</p>
<p>On-line services should be enhanced to include:</p> <ul style="list-style-type: none"> - Electronic submission of RFQ processes. - Electronic signature authority should be developed and implemented to enable greater utilization of on-line services for formal bid responses. - Posting of bid tabulations on-line after bid opening. - Posting of award notifications. 	<p>Concur.</p>
<p>Marshall University should enter into discussions with WVU for acquiring use of the small construction projects software system that enables electronic bid distribution, response receipt, and processing for minor construction projects (i.e. – those under \$25,000).</p>	<p>Concur.</p>

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Recommendation	Management Response
<p>On-going spend analysis and procurement reports should be developed that enable staff to better evaluate procurement actions including identification of additional opportunities for developing university wide contracts, conducting spend analysis, and identification of potential purchase order stringing. Available business intelligence is currently limited due to high use of p-cards and the inability to retrieve detailed commodity code purchase details from these transactions. The University should work to standardize the commodity codes utilized for purchase orders and p-card transactions.</p>	<p>Concur.</p>
<p>The procurement software should be modified to provide for easier and more detailed tracking of special procurement actions (such as sole source purchases, emergency purchases, etc.). Currently these are not identifiable within the system.</p>	<p>Concur.</p>
<p>Additional efforts should be made to ensure that all supporting documentation relative to purchases is filed in the purchase order file. The CPO should develop an internal policy outlining documentation requirements for procurement files.</p>	<p>Concur.</p>
<p>Departments should be required, as part of their submission in support of a sole source purchase, to provide copies of the relevant sections of any applicable research grants or contracts. A sole source authorization form should be implemented to ensure consistent provision of information and formal documentation of the approval.</p>	<p>Concur.</p>
<p>Marshall University should implement a “best pricing” clause within sole source purchase orders to assist in obtaining better pricing.</p>	<p>Concur.</p>
<p>Greater education of user department staff should be conducted to make them aware of available cooperative purchasing opportunities and established contracts for procuring goods. Consideration should be given to requiring users to purchase off established contracts unless a reasonable operational reason exists for procuring from an alternative source (even if the p-card is utilized). All authorized departmental users should attend a training session on the procurement policy at least once every three years.</p>	<p>Concur.</p>

Recommendation	Management Response
Additional staff support should be provided to those individuals in buyer functions to provide them additional time to spend on the “high value” procurement responsibilities rather than clerical functions. At the present time, the only staff support is a temporary part-time office assistant. The Office of Purchasing should have at least one full-time administrative support position.	Concur.
The Office of Purchasing should work with the Marshall University Board of Governors to adopt a records retention policy in accordance with State of West Virginia requirements. Following adoption, the Office of Personnel should seek authorization for destructions of records that fall outside of the statutory requirements for record retention.	Concur.

The following chapter outlines the feedback received from internal customers of the Office of Purchasing obtained by the project team through the administration of a confidential user survey and from individual interviews with selected users.

2. USER SATISFACTION SURVEY

2. SUMMARY OF USER SATISFACTION SURVEY AND INTERVIEWS

The Matrix Consulting Group conducted a survey of key internal customers of the Office of Purchasing to solicit feedback from customers with respect to the type and quality of services provided by the Office of Purchasing. The Office of Purchasing identified eighty-eight customers to whom the survey was distributed. Of the 88, the Matrix Consulting Group received 43 responses for a response rate of 49%. The project team also conducted follow-up interviews with randomly selected individuals (including those that completed and some that did not complete the survey) to solicit additional insight and more detailed information regarding performance and service provided by the Office of Purchasing.

While the survey was confidential, respondents were asked to indicate their position. The table, below, presents the number and percentage of respondents by position.

Position	Response Percent	Response Count
Administrator / Manager	67.4%	29
Office Worker / Support Staff	32.6%	14
Total	100%	43

Respondents were also asked to indicate the frequency with which they interacted with the Office of Purchasing. The table, below, presents the results.

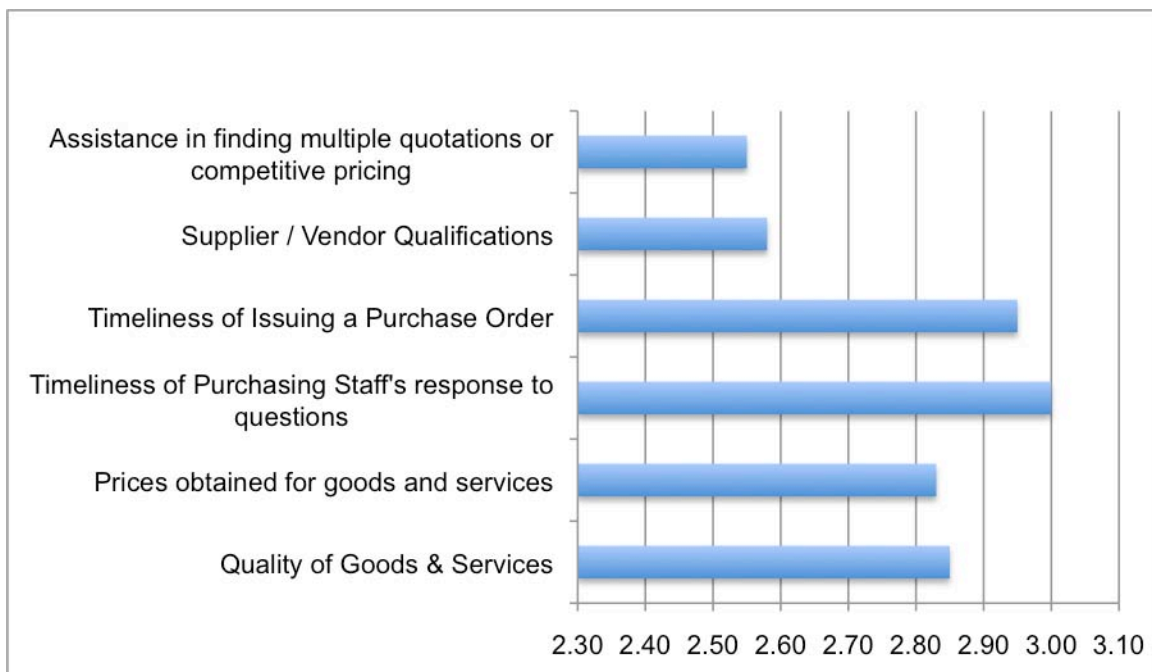
Frequency with which Customer Interacts with the Office of Purchasing	Response Percent	Response Count
Daily	7.0%	3
Weekly	41.9%	18
Monthly	27.9%	12
Less than once per month	23.3%	10
Total	100%	43

As shown in the table above, approximately 49% of respondents have a minimum of weekly contact with the Office of Purchasing. The sections, which follow, present a summary of the survey results.

1. SURVEY RESPONDENTS WERE ASKED TO RANK PERFORMANCE CRITERIA BY LEVEL OF IMPORTANCE.

To identify the most critical service areas to customers, survey respondent were provided a listing of performance criteria for which they were asked to indicate the level of importance of each criteria to them. Participants were asked to rate each criteria on a three point scale: Very Important (3), Somewhat important (2), and Not Important at All (1). In reviewing the results, the closer the response average is to 3.0 the greater the level of importance to the survey participants. The chart, which follows, presents a summary of the survey results.

**Rating Average:
For Purchases Made by the Office of Purchasing for the Customer Department,
Average Rating for Performance Criteria by Level of Importance**



The points, which follow, present a summary of the data shown in the table.

- Respondents ranked ‘timeliness of Purchasing Staff’s response to questions’ as the most important performance criteria, which had an average response rating of 3.00.
- Respondents ranked ‘timeliness of issuing a Purchase Order’ as the second most important performance criteria with an average response rating of 2.95.
- ‘Quality of Goods & Services’ and ‘prices obtained for good and services’ were ranked third and fourth most important performance criteria, respectively.

Overall, respondents viewed timeliness, quality and price as the most important criteria when evaluating the services and performance of the Office of Purchasing.

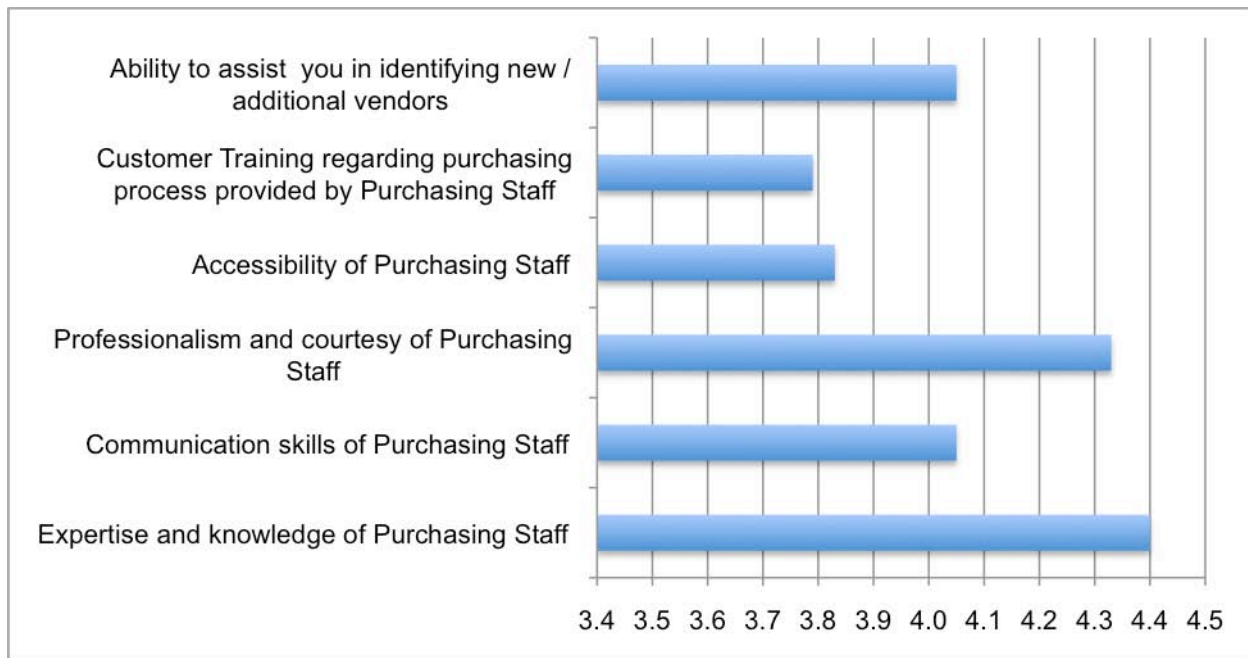
2. RESPONDENTS WERE ASKED TO RATE THEIR EXPERIENCE WITH THE OFFICE OF PURCHASING FOR THE LAST 12 MONTHS.

Survey respondent were provided a listing of criteria to rate their experience with the Office of Purchasing for the last twelve months. Each criteria was evaluated on a five point scale as follows: Excellent – 5.0; Good – 4.0; Adequate – 3.0; Fair – 2.0; and Poor 1.0. The listing of criteria listed included:

- Expertise and knowledge of Purchasing Staff;
- Communication skills of Purchasing Staff;
- Professionalism and courtesy of Purchasing Staff;
- Accessibility of Purchasing Staff;
- Customer Training regarding purchasing processes provided by Purchasing Staff; and
- Ability to assist you in identifying new / additional vendors.

The chart, which follows, presents a summary of the survey results. Based upon the scale utilized, an average rating of 3.0 represents an “adequate” service level with a rating of 5.0 being “Excellent” and the highest rating achievable.

Rating Average:
For Each Criteria, Average Rating of Customers' Experience with the Office of
Purchasing for the Past Twelve Months.



The points, which follow, present a summary of the data shown in the table.

- Respondents ranked 'expertise and knowledge of Purchasing staff' as the most important performance criteria, which had an average response rating of 4.40 (i.e., most selecting 'excellent' and 'good').
- Respondents ranked 'professionalism and courtesy of Purchasing staff' as the second most important performance criteria with an average response rating of 4.33.
- 'Communication skills of Purchasing staff' and 'ability to assist customers in identifying new or additional vendors' were tied for the third most important performance criteria.

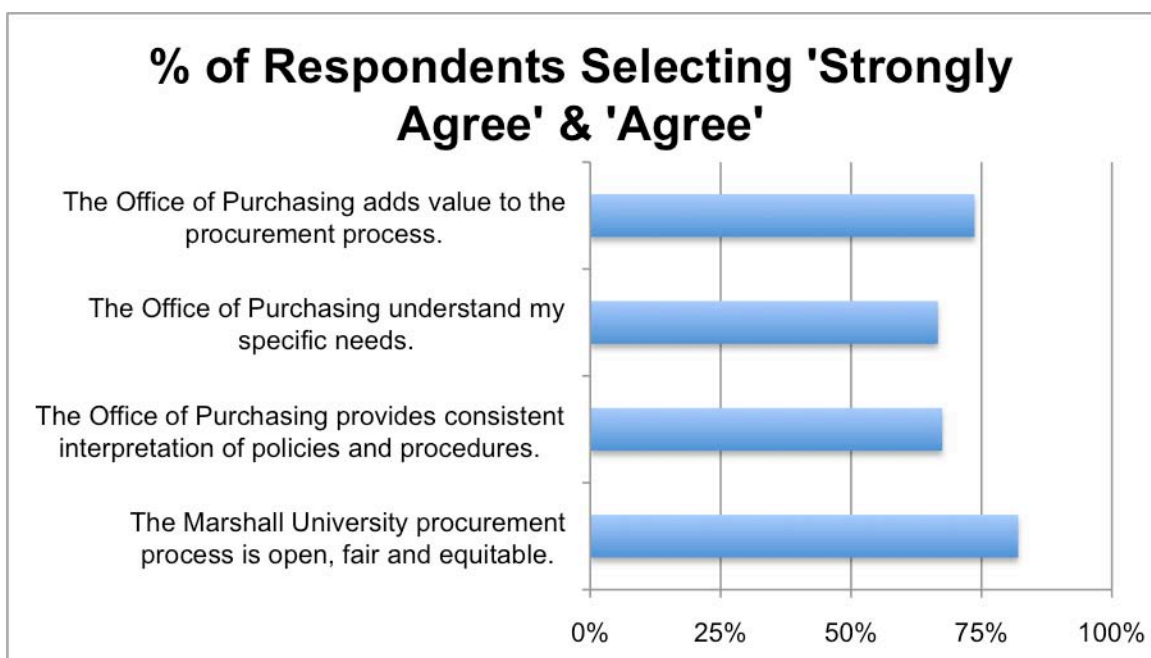
Overall, customers viewed the expertise, knowledge, professionalism and courtesy of the Purchasing staff very favorably.

3. RESPONDENTS WERE ASKED TO EVALUATE STATEMENTS REGARDING THEIR EXPERIENCE WITH PURCHASING STAFF OVER THE LAST TWELVE MONTHS.

Respondents were asked to evaluate eleven statements regarding various aspects of their experience with the Office of Purchasing over the last twelve months. Respondents were asked to select 'strongly agree,' 'agree,' 'neutral,' 'disagree,' or 'strongly disagree.' The sections, which follow, present a summary of the results.

(1) Respondents Were Asked to Evaluate Statements Regarding Procurement Process, Policies and Procedures.

Respondents were asked to evaluate four statements regarding the administration of procurement services in the Office of Purchasing. In comparison to other surveys conducted by the project team of procurement offices, the results for Marshall University are higher than typically observed. The average results for other surveys conducted in the last two years showed user satisfaction closer to the 60% level on the specific criteria listed below. Marshall University achieved ratings ranging from 67% to 82% on these same criteria. The chart, which follows, presents a summary of the results.



The points, which follow, provide a discussion of the survey results.

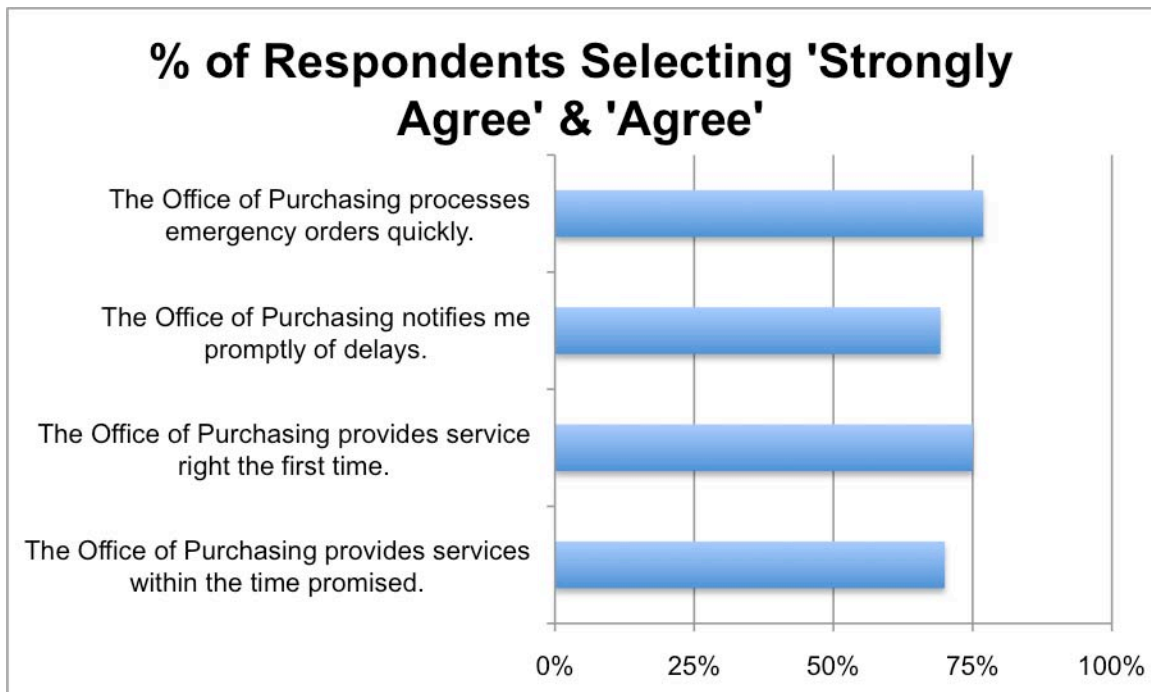
- In response to the statement, 'the Office of Purchasing adds value to the procurement process,' 74% of respondents selected 'strongly agree' or 'agree.'
- With respect to the statement, 'the Office of Purchasing understands my specific needs,' 67% of respondents selected 'strongly agree' or 'agree.'
- Similarly, 68% of respondents selected 'strongly agree' or 'agree' with respect to the statement: 'the Office of Purchasing provides consistent interpretation of policies and procedures.'
- A majority of respondents had positive perceptions with respect to the statement, 'the Marshall University procurement process is open, fair and equitable,' with 82% of respondents selected 'strongly agree' or 'agree.'

Survey respondents had very positive perceptions with respect to the administration of procurement services.

(2) Respondents Were Asked to Evaluate Statements Relating to Timeliness and Quality of Services Provided by the Office of Purchasing.

Respondents were asked to evaluate four statements relating to timeliness and quality of services provided by the Office of Purchasing. The ratings received on these statements showed a high level of satisfaction (ranging from 69% to 77%) with the timeliness and quality of services provided by Purchasing staff to the user departments. As with the prior questions analyzed, this level of rating by user departments is 10% to 15% higher than the levels typically seen by the project team when conducted evaluations of centralized procurement functions.

The chart, which follows, presents a summary of the results.



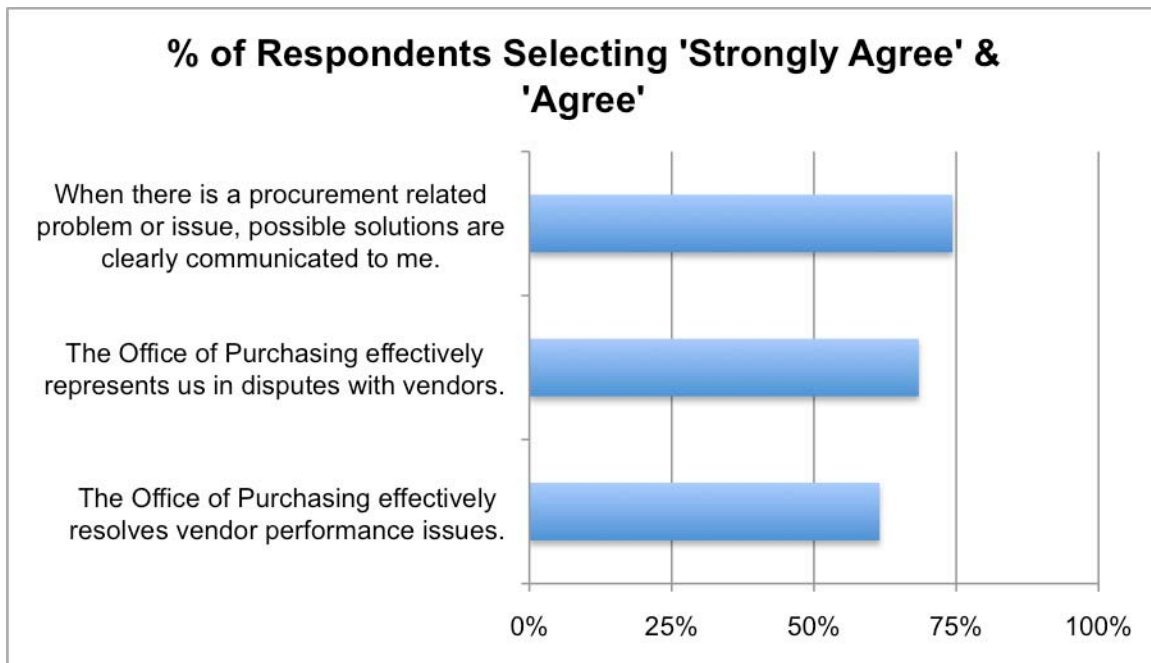
The points, which follow, provide a discussion of the survey results.

- In response to the statement, 'the Office of Purchasing processes emergency orders quickly,' 77% of respondents selected 'strongly agree' or 'agree.'
- With respect to the statement, 'the Office of Purchasing notifies me promptly of delays,' 69% of respondents selected 'strongly agree' or 'agree.'
- Similarly, 70% of respondents selected 'strongly agree' or 'agree' with respect to the statement: 'the Office of Purchasing provides services within the time promised.'
- A majority of respondents had positive perceptions with respect to the statement, 'the Office of Purchasing provides service right the first time,' with 75% of respondents selected 'strongly agree' or 'agree.'

The majority of respondents had positive perceptions with respect to the timeliness and quality of services provided by the Office of Purchasing.

(3) Respondents Were Asked to Evaluate Statements Regarding Vendors and / or Procurement Related Issues.

Respondents were asked to evaluate three statements regarding support and services the Office of Purchasing provides with respect to vendor management and problem resolution. The chart, below, presents a summary of the results.



The points, which follow, provide a discussion of the survey results.

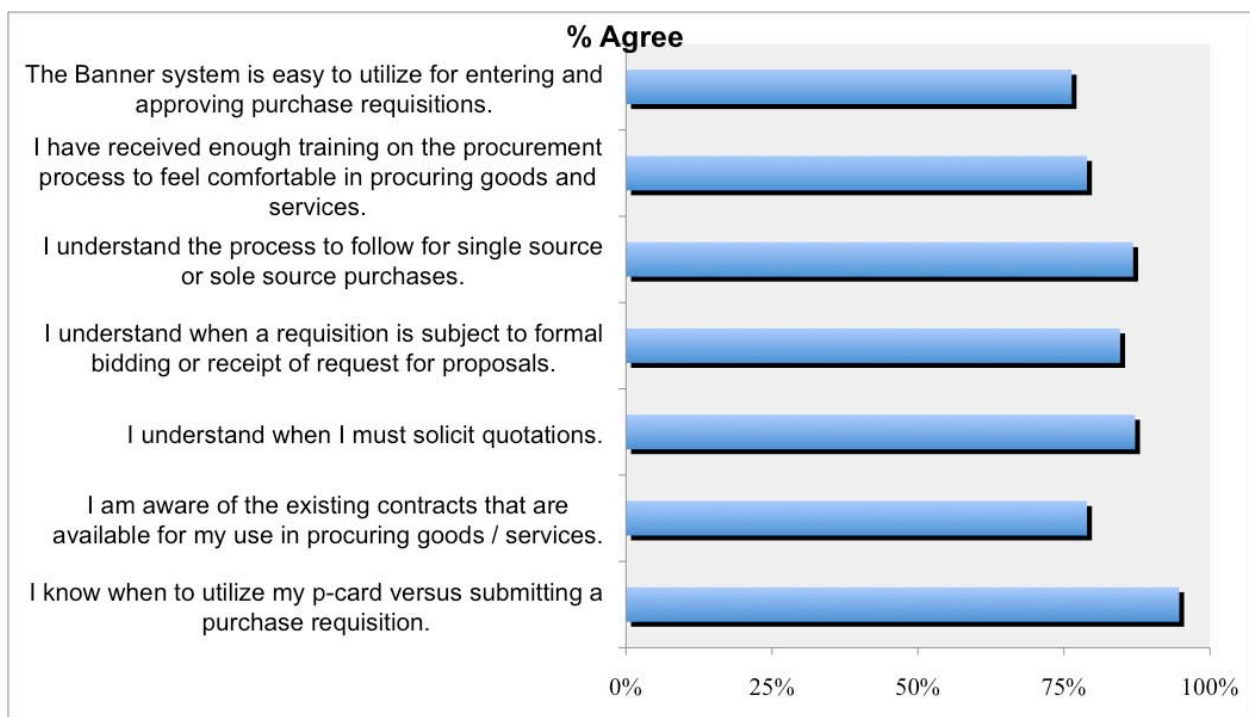
- In response to the statement, 'when there is a procurement related problem or issue, possible solutions are clearly communicated to me,' 62% of respondents selected 'strongly agree' or 'agree.'
- With respect to the statement, 'the Office of effectively represents us in disputes with vendors,' 68% of respondents selected 'strongly agree' or 'agree.'
- A slightly higher percentage of respondents, 74%, selected 'strongly agree' or 'agree' with respect to the statement: 'the Office of Purchasing effectively resolves vendor performance issues.'

While the majority of respondents had positive perceptions regarding support and services the Office of Purchasing provides with respect to vendor management and problem resolution, the overall results were slightly lower when compared to the

evaluation of statements relating to the administration of procurement services and the quality and timeliness of services provided by the Office.

4. RESPONDENTS WERE ASKED TO EVALUATE STATEMENTS WITH RESPECT TO THE PURCHASING PROCESS.

The survey provided statements to which respondents were to select 'agree' or 'disagree' regarding the procurement process. The chart, which follows, presents a summary of the results for each statement provided.



The points, which follow, provide a discussion of the survey results.

- While overall responses were positive, the following statements had the highest percentage of respondents selecting 'disagree.'
 - While 76% of respondents selected 'agree,' 24% of respondents selected 'disagree' in response to the statement: 'the Banner system is easy to utilize for entering and approving purchase requisitions.'
 - For two statements, 79% of respondents selected 'agree,' 21% of respondents selected 'disagree.' The statements were:

- I am aware of the existing contracts that are available for my use in procuring goods / services.
- I have received enough training on the procurement process to feel comfortable in procuring goods and services.
- A majority of respondents, 95%, selected 'agree' in response to the statement 'I know when to utilize my p-card versus submitting a purchase requisition.'
- For both the statements, 'I understand when I must solicit quotations,' and 'I understand the process to follow for single source or sole source purchases,' 87% of respondents selected 'agree.'
- With respect to the statement, 'I understand when a requisition is subject to formal bidding or receipt of request for proposals,' 85% of respondents selected 'agree.'

Overall respondents felt that they had a good understanding of the University's procurement process.

5. SURVEY PARTICIPANTS WERE ASKED TO RESPOND TO OPEN-ENDED QUESTIONS.

Respondents were provided the opportunity (both on the survey instrument and as part of the follow-up interviews) to provide their comments with respect to their views of the greatest strengths of the Office of Purchasing, to offer input on any changes that the Office could implement to increase the services provided to customers and provide any additional comments or suggestions. The points, which follow, provide a summary of the results.

- Respondents identified the following as the greatest strengths of the Office of Purchasing:
 - Quality and knowledge of staff
 - Communication of policies, procedures and / or issues from the Office to customers.
 - Helpful, friendly staff
 - Dedication of staff to ensuring quality of services provided

- Respondents suggested the following changes:
 - A designated person to handle Marshall Research Corps' POs
 - Improve their website to make it easier to understand and navigate
 - Assign a single point of contact (buyer) to improve communications and timeliness of response
 - Expand efforts to communicate and train users on the procurement process
- Respondents provided additional comments and suggestions, including:
 - Improve staff training
 - Improve quality of service that was lost when the Office of Purchasing assumed responsibility for MURC
 - Improve processing times on agreements

Survey respondents identified a number of strengths within the Office of Purchasing, as well as provided suggestions regarding improvement opportunities.

3. BEST MANAGEMENT PRACTICES

3. BEST MANAGEMENT PRACTICES ASSESSMENT

A significant evaluative component of the purchasing performance audit is the evaluation of existing practices against “best management practices”. In order to make the assessments of operational strengths and improvement opportunities, the project team developed a set of performance measures that we call “best management practices” against which to evaluate these processes. These performance measures comprise the main thrust of this diagnostic assessment.

The measures utilized have been derived from the project team's collective experience and represent the following ways to identify departmental strengths as well as improvement opportunities:

- Statements of "effective practices" based on the study team's experience in evaluating operations in progressive procurement operations and / or “industry standards” from recognized procurement associations and research organizations.
- Identification of whether and how the procurement practices in place at Marshall University meets the performance targets.
- Comparison of practices utilized at Marshall University against those in place at comparable institutions of higher education.

The purpose of the diagnostic assessment was to develop an overall assessment of the procurement policies and practices. The following points summarize the key findings of the project team relative to existing strengths and opportunities for improvement. Following the summary is a table with the detailed assessment for each best management practice.

1. THERE WERE NUMEROUS STRENGTHS NOTED IN THE PURCHASING FUNCTIONS AT MARSHALL UNIVERSITY.

The project team identified numerous positive aspects of the current procurement functions in place at Marshall University. The key strengths identified are summarized in the following points:

- A comprehensive purchasing manual has been adopted by the Marshall University Board of Governors to guide university purchasing practices. The manual contains clear delineation of authority levels and outlines ethical procurement practices. The manual outlines appropriate procurement methods for various types of purchases.
- Monthly procurement meetings are held with departments to train them on procurement policies and procedures. Additionally, these meetings are utilized to inform user staff of changes in procurement practices and to answer questions regarding compliance with procurement regulations.
- All contracts entered into for purchasing goods and services are done on forms approved by legal counsel.
- A clear and defined policy is in place regarding p-card utilization and includes appropriate and inappropriate utilization practices. Purchasing cards activities are routinely audited by the State and by University staff.
- The University utilizes common and system-wide computer systems for conducting purchasing functions. User departments can inquire on the Banner system to determine purchase requisition status.
- Appropriate internal controls are in place within the procurement and payment system to prevent payments from being made that would exceed authorized contract amounts.
- The University has developed a sole source policy to ensure the appropriate utilization of sole source purchasing. Sole source purchases must be approved by Office of Purchasing staff based upon established criteria.
- Procurement maintains all construction and service contracts in excess of \$25,000 and copies are provided to the State as required.
- Procurement files are maintained in a comprehensive and thorough manner.

- Procurement staff is involved in the development of University-wide contracts to provide centralized access to commonly utilized services and goods. These efforts are undertaken to provide “best value” to the user departments.
- Procurement staff utilize indefinite demand and indefinite quantity contracts on a qualification basis to increase purchasing speed and effectiveness for user departments.

These strengths provide a strong foundation for addressing the opportunity for improvements noted in the following section.

2. THE BEST MANAGEMENT PRACTICES REVIEW IDENTIFIED SEVERAL OPPORTUNITIES TO IMPROVE THE PROCUREMENT FUNCTIONS AT MARSHALL UNIVERSITY.

The best management practices review, also identified several opportunities for improvement. These are outlined in the following points:

- The procurement manual should be reviewed at least every three years for updating as needed. Ideally, this review would occur the year prior to the conduct of a performance audit.
- A formal on-going training program should be established for all buyers to maintain skills and provide skills enhancement.
- An annual vendor training sessions should be provided to acquaint potential vendors on how to do business with the University. When available, Marshall University should participate in vendor training / fairs conducted by the Director of Purchasing for the State of West Virginia.
- Additional vendor training programs should be implemented – especially to assist smaller and local vendors in navigating the procurement process. An on-going vendor evaluation system should be established that required evaluation of each vendor’s performance. Initially, this effort should be focused on contracts exceeding \$100,000.
- Vendors should be able to request inclusion on vendor lists for future procurement opportunities on-line through the Marshall University website.
- A comprehensive “How To Do Business with Marshall University” guide should be developed and provided to potential vendors on the University’s website.
- The Office of Purchasing should work with WVU to determine the applicability and potential to share in the utilization of “best in class” efforts that have been

implemented by WVU in the last several years. These include the SciQuest system (a system that makes available, through a central source, purchasing of commodities off established contracts). This system is designed to increase utilization of purchasing cards, increase the availability of business intelligence, and enable payments to be made immediately upon receipting.

- An on-going annual vendor survey should be developed and put into place to provide on-going feedback from vendors regarding satisfaction with procurement services.
- Buyers should be provided p-cards to enable immediate procurement of selected goods without the need for issuance of a purchase order for small dollar value purchases.
- The weekly and monthly reports developed by staff regarding p-card utilization should be more fully utilized and enhanced to enable greater evaluation of transactions for potential misuse and stringing.
- Procedures to utilize standard reports and conduct periodic analysis should be put into place to review non-competitively awarded contracts that are given to vendors in an effort to limit the number awarded to the same vendor from different departments. This is a critical issue to maintaining compliance with the State requirements that purchases in excess of \$25,000 should be competitively bid.
- The current software in place is not utilized for producing electronic purchasing orders. Current requirements in State Code require original signatures on all issued purchase orders which would prohibit the implementation of electronic purchasing orders.
- On-line services should be enhanced to include:
 - Electronic submission of RFQ processes.
 - Electronic signature authority should be developed and implemented to enable greater utilization of on-line services for formal bid responses.
 - Posting of bid tabulations on-line after bid opening.
 - Posting of award notifications.
- Marshall University should enter into discussions with WVU for acquiring use of the small construction projects software system that enables electronic bid distribution, response receipt, and processing for minor construction projects (i.e. – those under \$25,000).
- On-going spend analysis and procurement reports should be developed that enable staff to better evaluate procurement actions including identification of additional opportunities for developing university wide contracts, conducting spend analysis, and identification of potential purchase order stringing. Available

business intelligence is currently limited due to high use of p-cards and the inability to retrieve detailed commodity code purchase details from these transactions. The University should work to standardize the commodity codes utilized for purchase orders and p-card transactions.

- The procurement software should be modified to provide for easier and more detailed tracking of special procurement actions (such as sole source purchases, emergency purchases, etc.). Currently these are not identifiable within the system.
- Departments should be required, as part of their submission in support of a sole source purchase, to provide copies of the relevant sections of any applicable research grants or contracts. A sole source authorization form should be implemented to ensure consistent provision of information and formal documentation of the approval.
- Marshall University should implement a “best pricing” clause within sole source purchase orders to assist in obtaining better pricing.
- Greater education of user department staff should be conducted to make them aware of available cooperative purchasing opportunities and established contracts for procuring goods. Consideration should be given to requiring users to purchase off established contracts unless a reasonable operational reason exists for procuring from an alternative source (even if the p-card is utilized). All authorized departmental users should attend a training session on the procurement policy at least once every three years.
- Additional staff support should be provided to those individuals in buyer functions to provide them additional time to spend on the “high value” procurement responsibilities rather than clerical functions. At the present time, the only staff support is a temporary part-time office assistant. The Office of Purchasing should have at least one full-time administrative support position.
- The Office of Purchasing should work with the Marshall University Board of Governors to adopt a records retention policy in accordance with State of West Virginia requirements. Following adoption, the Office of Personnel should seek authorization for destructions of records that fall outside of the statutory requirements for record retention.

While several opportunities for improvement have been identified, the existing policies and practices coupled with the previously identified strengths provide a strong foundation for the Office of Purchasing to make necessary changes to implement these recommendations. Several of the recommendations would need to be implemented by

entities outside of the Office of Purchasing. These include recommendations relative to the procurement-card (which would be addressed by staff in Finance) and changes relative to Board of Governor’s policy and/or State requirements (such as electronic purchasing requisitions, electronic signature authority, and records retention) which must be addressed by those entities.

The following table contains the detailed best management practices evaluation. It lists the best management practice evaluated, whether it is a strength at Marshall University or an opportunity for improvement and any recommendation for implementation.

Performance Target	Strengths	Potential Improvements	Recommendation
A comprehensive procurement policy has been developed and distributed to all staff outlining required practices in procuring goods, services, and construction services.	Marshall University has developed and distributed a comprehensive procurement manual for use by staff and departments.		Periodic training should be provided to all designated user representatives on the Procurement Policy (at least once every three years).
The procurement policy has been reviewed and revised within the last two years.		A review and revision has not occurred in the last two years. A comprehensive review should be conducted over the next year to ensure that current practices are incorporated and clarity of requirements is addressed.	The procurement policy should be comprehensively reviewed at least one every three years for necessary revisions / updates. Ideally, this would occur the year prior to scheduled performance audit.

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
All key staff in procurement functions has attended required training on the Marshall University Procurement Policy. All new staff assigned to procurement functions is required to receive, review and attend training on the University's policy upon appointment.		Limited procurement meetings are held with departments to update them on changes in procurement rules. An on-going staff training and development program has not been developed for procurement staff.	A formal on-going training program should be established for all procurement staff.
The procurement policy outlines procurement authority levels by position title with increasing levels of authority based upon position level.	The Marshall University procurement manual provides clear delineation of authority levels by position and function.		
The procurement policy contains an ethics section governing staff and vendor actions.	Marshall University's procurement manual contains a section outlining ethics in public procurement.		
The Procurement Division has published a "How To Do Business" Guide for vendors. The guide has been revised within the last three years.	Marshall University has made available a Purchasing Handbook on its website. Additionally, a suppliers guide is available to acquaint potential suppliers with major university policies and procedures related to procurement.		
Formal vendor training is offered annually to acquaint potential vendors on the University's policies and procedures.	Periodic vendor training has occurred in the past with vendors, specifically local vendors, to acquaint them with the University's requirements.	An annual training session should be implemented.	An annual vendor training session should be established.

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
A customer survey has been conducted within the last three years to elicit feedback regarding Marshall University service levels and practices.		No on-going vendor feedback is solicited on performance and satisfaction with procurement services.	An annual customer survey should be conducted to identify level of service provided to customers and ways the Office of Purchasing can enhance services.
A policy is in place requiring periodic vendor evaluation and outlines criteria for designating a vendor as approved / disapproved regarding eligibility for continued business with the University.		No on-going vendor evaluation system is in place.	An on-going vendor evaluation system should be established for all contracts awarded in excess of \$25,000. This could be phased in initially for contracts exceeding \$100,000.
Contracts entered into by Marshall University staff are either: <ul style="list-style-type: none"> Reviewed prior to signing by University legal staff; or Within procedure guidelines where legal review is not conducted, based upon contract templates having received prior University legal approval. 	All contracts are prepared on form approved by legal counsel (either University legal staff and/or the State Attorney General). All changes to standard terms and conditions must have prior legal approval.		
The use of procurement cards is based upon a defined policy and procedure adopted by the University.	The University has a defined policy and procedure regarding procurement card utilization.	Procurement staff do not utilize p-cards for transactions under \$5,000.	Consideration should be given to providing all Buyers with assigned p-cards for use in acquiring goods below \$5,000 rather than issuance of purchase orders.

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
<p>Procurement card use is periodically audited by the University to ensure compliance with policies and procedures.</p>	<p>P-Card utilization is audited both by the State Auditor and by the University. Procurement staff conduct on-going review, on a monthly basis, of all p-card transactions to identify problem areas (i.e. – stringing, misuse, attempt to exceed authority levels)</p>	<p>The weekly and monthly reports developed on p-card utilization are not fully utilized or sufficiently detailed to enable staff to identify potential stringing opportunities. The reports should be further developed to assist staff in managing the p-card transactions.</p>	<p>Additional reports should be utilized to identify additional transactions for review of potential stringing.</p>
<p>Utilization of p-cards is well defined regarding the types and number of services that may be paid for through the p-cards.</p>	<p>The University's policy provides clear guidance on the services that may be paid through p-cards. The p-card program usage is highly encouraged for all purchased that qualify for purchase on the p-card.</p>	<p>The volume of purchasing processed on p-cards is a significant proportion of the total purchasing volume of the university. Approximately 10% in 2009. There are many routine payments, invoices that could be handled through p-card processing with greater emphasis by staff and implementation of necessary policies.</p>	<p>Additional efforts should be made to eliminate the use of purchase orders for small purchases (those under \$5,000) by increasing use of p-cards. This may entail issuance of additional cards to departmental users and/or to Buyers.</p>
<p>Procurement Services maintains a master listing of authorized purchasers for each department with designated authority level.</p>	<p>University staff assigned to manage the p-card program maintains a comprehensive listing of authorized users and authorized credit limits.</p>		

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
All changes in designated users (addition of new staff, termination of existing staff) are communicated within 24 hours to Procurement by the appropriate department.	Departments are responsible for notifying procurement staff of all changes in designated users for p-cards and for approval / authorization of purchase requisitions.	While direct notification does not always occur by departments within specified time frame, alternative measures have been implemented to ensure authority levels and approval authority are promptly handled.	
Guidelines have been developed to limit the number and dollar amount of non-competitively bid contracts that can be awarded to a single vendor.	Procurement has access to information regarding all contracts awarded to enable periodic review and analysis.	No coordination mechanism is in place to provide a review of non-competitively awarded contracts to a single vendor. Given authority levels that can be approved at department level, multiple awards can be made to the same vendor.	
A written appeal procedure is in place for non-selected vendors.	The procurement manual provides direction and guidance regarding the filing and processing of appeals.	There were only two identified appeals during the time period reviewed in this audit. In both cases, the University staff appropriately handled the appeal and found that the appeal was without basis.	
The University's policies and procedures outlines the process, guidelines and criteria to be utilized in making a determination regarding the appropriateness of executing a contract extension versus conducting a new solicitation.	Clear compliance guidelines are provided in the manual outlining the basis on which decisions to award should be made.		

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
The Procurement Division serves as the centralized procurement authority with responsibility and authority to oversee all University purchasing and review of compliance with established policies and procedures.	The University's Office of Purchasing serves as the centralized procurement entity and is charged with not only the processing of purchasing actions but the duty to ensure compliance with established policies and procedures.		
Procurement authority delegated to departments is audited annually by the Office of Purchasing to ensure compliance with University policies and procedures.		No ongoing procurement audit is done of delegated purchasing authority; however, p-card transactions are reviewed. Procurement services is involved in all purchase orders processed.	
Procurement Services is responsible for maintaining a centralized listing of registered vendors.		On-line vendor registration is not available.	On-line vendor registration should be established enabling individual vendors / suppliers the ability to self-register for receipt of bid documents issued by Marshall University.
Marshall University utilizes a common procurement software system across all departments.	The University utilizes common software systems for all component units and departments – Banner.	Some functions performed by Procurement staff are duplicated in two systems – the University's system and the State Financial Management Information system. Despite duplication and general inability to modify banner, the University must utilize the existing system.	

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
<p>The automated financial system utilized for procurement contains the following elements / functionality:</p> <ul style="list-style-type: none"> • Approved vendor database. • Ability to enter and approve purchase requisitions electronically. • Ability to issue electronic purchase orders. • Ability to make electronic payments to vendors either directly or through an interface with the accounts payable module. • Ability for user agencies to query the system for up to the minute information regarding purchase requisition / purchase order status. • Ability for departments to electronically notate receipt of purchase goods and authorize payment. 	<p>Both systems maintain vendor data and information. The State system is utilized as the official vendor registration system.</p> <p>Purchase requisitions are entered and approved electronically.</p> <p>User departments are able to query the procurement module to determine current status of the purchase requisition / order.</p> <p>All receipting is done electronically and must be completed prior to any payments being processed.</p>	<p>The current system does not have electronic purchase order capabilities functioning.</p> <p>Electronic payments (other than p-card) are not permitted due to State requirements and the need to utilize the State Auditor's office for all payments.</p>	<p>Discussions with the software vendor should be undertaken to determine if electronic purchase orders can be issued.</p> <p>P-Card utilization should be enhanced to handle a larger percentage of vendor payments (where vendors will accept the p-card as payment).</p>
<p>Marshall University has utilized the internet homepage to provide the following services:</p> <ul style="list-style-type: none"> • Access to Marshall University procurement policy. 	<p>Vendors are able to access the Marshall University procurement policy on-line.</p>		

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
<ul style="list-style-type: none"> • Online electronic vendor registration • Online interactive procurement process. • Online posting and distribution of formal solicitations (ITB, RFQ, RFP) • Email notification of posted formal solicitations to all registered vendors • Receipt of formal bids & proposals electronically • Posting of bid tabulation results following opening • Posting of award notifications online. 	<p>Online posting of bid information is available for all vendors accessing the Marshall University website.</p> <p>Except for small purchases / informal bids and proposals are accepted in electronic format.</p>	<p>Vendors are not able to register on-line to do business with Marshall University.</p> <p>At the present time, electronic RFQ processes are not available.</p> <p>No electronic distribution of solicitations is available directly from the Marshall University website.</p> <p>Except as noted, formally bidding and proposals are not accepted electronically.</p> <p>Bid tabulations are not posted on-line following opening. Award notification are not posted on-line.</p>	<p>Online vendor registration for receipt of RFP / RFQ documents should be implemented.</p> <p>Marshall University should explore the implementation of the SciQuest program implemented by WVU to enhance online procurements.</p> <p>Marshall University should consider piggy-backing on the electronic bid distribution, bid response system developed by WVU for small construction projects. This system has significantly decreased the time required for processing small construction projects. Bid tabulations should be posted on-line after opening. Award notifications should be posted online after awards are made.</p>
<p>Staff involved with procurement is able to view historical purchases online to evaluate current bids, proposals, and quotations against prior purchase experience.</p>	<p>Buyers have access to a full complement of historical information for use in evaluating current bids, proposals and quotations on current bids.</p>		

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
<p>Access to vendor maintenance files is limited to designated procurement staff.</p>	<p>Vendor management is assigned to all Buyers within the Office of Purchasing.</p>	<p>For the State FMIS system, vendor maintenance files are available to other user agencies in addition to Marshall University.</p>	
<p>Appropriate internal controls are in place within the procurement system to generate reports or flag actions where:</p> <ul style="list-style-type: none"> • Total purchase expenditures for common services and/or goods across multiple departments exceed established approval levels. • Identification of requested payments that would exceed authorized contract or purchase order limits. • Contract amendments or change orders exceed a pre-determined percentage of the original authorized amount. 	<p>The invoice and payment reviews conducted prior to payment prevent payments from being processed that would exceed the authorized contract limits. Contract amendments and change orders are reviewed individually for each contract to determine appropriateness.</p>	<p>Currently reports are not generated to identify purchases that exceed pre-determined levels to identify potential opportunities for university wide contracts.</p>	<p>These types of reports should be generated to enable easy evaluation of future opportunities for the establishment of university-wide contracts.</p>
<p>A sole source policy has been developed and/or reviewed within the last three years. There is a standard form utilized by departments for requesting sole source contract approval.</p>	<p>The University has, within its purchasing manual, a defined sole source policy.</p>	<p>No single form is utilized for providing sole source purchase justification.</p>	<p>A sole source form should be considered for implementation. Additionally, identification of sole source purchases should be noted in the Banner system for easy review and auditing of these purchases.</p>

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
<p>The sole source policy outlines the acceptable reasons for utilizing a sole source purchasing arrangement.</p>	<p>The following outline typical reasons for approval of sole source purchases:</p> <ul style="list-style-type: none"> a. Where the compatibility of equipment, accessories, or replacement parts is the paramount consideration; b. The item cannot be obtained through ordinary purchasing procedures and methods; c. The item is available from a state spending unit or other institution with preference under the West Virginia Code; and d. Where specific and unique items are called for on a grant or contract. 		
<p>All departments are required to follow the University's approval for sole source contracts.</p>	<p>All university departments must follow the sole source requirements. The Chief Procurement Officer, or designee, must approve prior to issuance of a purchase order.</p>		
<p>There is a clear policy in place for addressing violations of the sole source contract policy, including disciplinary actions.</p>		<p>The policy does not provide a clear indication of the ramifications of violations of the sole source policy.</p>	

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
<p>The sole source contract justification form asks for sufficient detail for Procurement Services Division to make an assessment of the justification. Questions are asked such as:</p> <ul style="list-style-type: none"> • How did you arrive at the conclusion this item represents your minimum need or requirement? Is this a "nice to have" with all the "bells and whistles" or does it really represent your requirement or minimum need? • How did you determine availability? Did you check on prior procurements for the same or similar items? • Are there other sources? Are they responsible? Are identical or compatible parts or equipment available from any other source? • Who prepared the specification or statement of work? Did a vendor or contractor assist? If so, will they benefit somehow by the decision to proceed with a sole source contract? 	<p>Sufficient detail is requested in order for procurement staff to evaluate the purchasers compliance with the sole source purchase guidelines.</p>	<p>Varying levels of detail are provided in the documentation and department completion of forms varies in the depth and level of information submitted.</p> <p>In selected cases reviewed, not all documentation regarding sole source discussions appeared in file.</p>	<p>The use of a standard sole source authorization form would enhance the consistency and level of detail received from customers to support their request for sole source purchases.</p>
<p>All sole source purchases are reviewed by Office of Purchasing and approved prior to entering into a purchase agreement.</p>	<p>The Chief Procurement Officer, or his designee, must approve all sole source purchases prior to the issuance of a purchase order.</p>	<p>Methods should be established to increase tracking of sole source purchases, and denials, for business intelligence on purchasing practices to be developed.</p>	<p>The tracking of sole source purchases should be enhanced.</p>

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
<p>Departments provide research and backup documentation in writing justifying sole sourcing (e.g., letters from manufacturers about local distributors, solicitation of quotes from vendors, systems integration requirements, etc.)</p>	<p>Case files reviewed generally indicated that departments provide sufficiently detailed backup documentation to support the sole source request.</p>		
<p>Efforts are undertaken to ensure that competitive pricing is achieved from all vendors approved as sole source (i.e. – review of pricing provided to other municipalities, negotiation with vendor, etc.).</p>	<p>Procurement staff explore options regarding pricing as available and as provided.</p>	<p>Greater efforts could be undertaken to evaluate the pricing received on sole source purchases and to require specific information to be submitted as part of the review that justifies the pricing provided by the vendor.</p> <p>Utilization of a “best pricing” clause within sole source purchase actions may assist in addressing this however, pricing is often quoted prior to involvement of procurement staff.</p>	<p>A best pricing clause should be inserted into all sole source purchase authorizations.</p>
<p>Procurement Services Division maintains a master database / report of all sole source purchases.</p>		<p>Additional efforts should be implemented to enhance the identification and tracking of sole source purchases, including denials, in the system.</p>	<p>Annual reports on sole source purchases should be prepared. A master log of sole source purchases should be established if these cannot be identified in the Banner system.</p>
<p>Appropriate procurement processes are utilized to achieve competitive pricing on service contracts not requiring formal bidding / RFPs.</p>	<p>The procurement manual outlines suggested methods for achieving competitive pricing where formal bidding is not required.</p>		

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
Master databases are maintained of all service and construction contracts entered into by the Marshall University.	All construction and service contracts are maintained in Procurement and all contracts over \$25,000 are provided to the State Auditor.		
Appropriate documentation is maintained supporting the selection decision reached by staff.	Selection processes are required, in accordance with the guidelines, to be maintained as part of the procurement file.		Greater documentation should be included in the file regarding the timing of receipt of proposals for record-keeping purposes and to enable easy auditing for compliance.
All contracts entered into for service contracts are either based upon contracts approved by the Marshall University or if based upon a vendor supplied contract are reviewed by legal staff prior to signature.	All contracts are based upon forms approved by legal counsel and that incorporate all standard terms and conditions.		
Assistance by Procurement Services is provided to departments in negotiating pricing for service contracts. Prior contracts and external research is utilized for determining the appropriateness of consultant rates and fees.	Procurement staff provide assistance and historical information, as appropriate, to evaluate pricing rates provided on service contracts during the evaluation phase.		

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
<p>Services and commodities utilized by multiple departments are acquired through a joint effort coordinated by the Office of Procurement to achieve best value for the University.</p>	<p>Procurement is involved in the development of university-wide contracts to cover certain services and commodities of general use within the University (such as car rental, shipping services, office supplies).</p> <p>Procurement is in the process of implementing through SciQuest a contract portal that will provide access to various established contracts for departments to purchase from through a coordinated system.</p>	<p>However, many of these contracts are not required use contracts and departments are free to utilize other service or commodity providers. There are additional opportunities, as identified by staff, to expand the utilization of university-wide contracts.</p> <p>Additionally, user departments can procure from any source when utilizing the p-card.</p>	<p>Consideration should be given to limiting some p-card usage at vendors providing services / good already covered by an established contract (i.e. – office supplies) in order for the University to maximize cost savings.</p>
<p>Vendors are evaluated at the completion of the provision of design and engineering services. Those vendors not receiving a satisfactory rating are not eligible for continued placement on the master contract.</p>		<p>Formal evaluation mechanisms are not in place to evaluate specific performance.</p>	<p>A formal vendor evaluation system should be considered for implementation for all contracts in excess of \$100,000.</p>
<p>A standard policy has been established across all departments outlining the process to be followed in evaluating and selecting vendors for service contracts (i.e. – numerical ratings, consensus selection, etc.).</p>	<p>Some flexibility is provided in vendor evaluations however; guidelines are outlined in the procurement manual regarding which measure (best value, lowest responsible bidder) must be utilized for specific types of procurements.</p>		
<p>Basic documentation on service contracts including RFPs/RFQs, vendor submissions, selection process, etc. is maintained by Procurement for all contracts.</p>	<p>Procurement services maintains files on each solicitation processed including bid responses and evaluations conducted.</p>	<p>Periodic auditing of files may be required to ensure all documentation is appropriately maintained.</p>	

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
<p>Project Managers are responsible for evaluating performance of vendors on construction contracts and documenting and approving the need for change orders.</p>	<p>Project managers perform these duties on an on-going basis.</p>		
<p>The procurement documentation file for all construction and service contracts contain the following information:</p> <ul style="list-style-type: none"> • Purchase requisition, planning information, and other pre-solicitation documents. • Evidence of availability of funds. • Rationale for the method of procurement (negotiations, formal bidding, sole source, etc.) • List of sources solicited. • Independent cost estimate. • Statement of work / scope of services. • Copies of published notices. • Copy of the solicitation, all addenda and all amendments. • Summary of each offer, quote or proposal received. • Selection documentation. • Cost or pricing data. 	<p>The file documentation for construction contracting found no problems. The purchase order files were thoroughly maintained and contained all necessary documents as outlined in the following points.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p>		

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
<ul style="list-style-type: none"> • Notice of award and notice of non-selection to unsuccessful bidders/offerors and records of any debriefing sessions. • Record of any protest. • Required bid, performance or other bond documents including insurance forms, if any. • Notice to proceed. 	<p>Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p> <p>Documentation maintained.</p>		
<p>Quarterly reports are generated identifying major vendors with Marshall University that are doing business with more than one department to identify potential areas for joint purchasing efforts.</p>	<p>Marshall University procurement staff identify informally areas for further investigation of the benefits for joint purchasing efforts.</p>	<p>These reports are not currently being developed on an on-going basis.</p>	<p>More proactive evaluation of prior spend should be conducted to determine if additional master contracts should be established.</p>
<p>A quarterly report is prepared describing each contract that is ending within the next six months and details the eligibility for contract extension (based upon original contract terms entered into).</p>	<p>A comprehensive listing of university-wide contracts is maintained with the Office of Purchasing with this information.</p> <p>This information is utilized to enable staff to rebid these contracts in advance of expiration.</p>		
<p>Procurement staff conduct periodic spend analysis to determine commodity areas where group purchasing would be more effective.</p>	<p>Areas for use of group purchasing efforts are evaluated and identified informally.</p>	<p>A routine spend analysis report is not generated.</p>	<p>A formal spend analysis should be conducted at least once every two years to determine additional areas for controlling expenditures through cooperative purchasing, establishment of new contracts, elimination of rogue / one-off buying, etc.</p>

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
<p>The Office of Purchasing identifies and makes users aware of available cooperative purchasing agreements and GSA-like/State schedules available for direct purchases.</p>	<p>The Procurement staff has the ability to and do utilize a variety of cooperative and GSA-like purchasing schedules. Limited numbers of these are posted on the University's website for use by user departments.</p>	<p>Additional efforts should be made to publicize available cooperative purchasing and "schedule" opportunities for departments. Staff should be trained in the appropriate utilization of these efforts to prevent them from being used for "convenience" when needs may be better met through other procurement methods.</p>	<p>Additional outreach and education should occur for user departments to ensure they are aware of all potential cooperative purchasing options available to them.</p>
<p>Marshall University has a defined compliance function with defined tasks, duties, and required reviews.</p>	<p>Individual staff members have been assigned compliance functions for their individual areas (purchase orders, payments, p-card). Individual buyers are responsible for ensuring compliance with adopted policies for assigned purchase requisitions / orders. P-card staff manage compliance for p-card transactions and A/P staff handle prompt payment compliance..</p>		

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Performance Target	Strengths	Potential Improvements	Recommendation
Marshall University Office of Purchasing maintains records of procurement activities in accordance with the State of West Virginia Records Retention regulations.	The Office of Purchasing is maintaining records well in excess of the requirements of the State of West Virginia Records Retention Regulations.	The Office is unable to destroy records that fall outside of the required records retention timeframes unless express authorization is granted by the State Legislative Auditor for purging specific files. The Office of Purchasing has been unable to get this authorization.	The Office of Purchasing should develop and present to the Marshall University Board of Governors a records retention policy (covering all procurement files) for their adoption. The University should seek to have this policy reviewed and approved by necessary State representatives to gain authorization to purge files exceeding timeframes for retention outlined in state statutes.

In addition to the assessment of current operating practices and procedures of the Office of Purchasing against best management practices in the procurement field, the project team also evaluated the Marshall University Office of Purchasing for compliance with statutory requirements and operating practices as required in West Virginia Code Sections 18B-5-4. This analysis is contained in the following chapter.

4. SUMMARY OF COMPLIANCE REVIEW

4. SUMMARY OF COMPLIANCE REVIEW

This chapter summarizes the project teams findings relate to the major areas of compliance with established policy, procedures and State Law. Specific discussion and recommendations are contained in the sections following the initial summary on those areas where specific comments are noted.

The project team utilized various data sampling and file review methodologies in the development of the conclusions reached regarding compliance with established procedures and internal controls required within the procurement function.

1. COMPLIANCE TESTING GENERALLY FOUND THE DEPARTMENT IN CONFORMANCE WITH REQUIREMENTS IMPOSED BY EITHER STATE LAW AND/OR THE MARSHALL UNIVERSITY PURCHASING MANUAL.

In recognition of the requirements placed upon the procurement department from state laws and regulations and Marshall University Board of Governor's policies, the project team reviewed various areas for internal compliance through several testing methodologies.

The following table outlines the findings relative to the compliance issues reviewed:

Compliance Issue	Process Utilized	Result / Finding
Determine compliance with state law, the rules, policies and procedures of the Marshall University Board of Governors as they apply to purchasing, supplies and equipment.	Evaluated existing practices of Marshall University Office of Purchasing against state law, Board of Governors policy for purchasing, supplies and equipment.	No finding noted. Procedures tested were in compliance with state law, and adopted Marshall University Board of Governors Policy.

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Compliance Issue	Process Utilized	Result / Finding
Determine whether professional procurement procedures are established and maintained within the University.	Evaluated the adopted purchasing manual against state law requirements, and industry best practices.	Determined Marshall University in general compliance with professional procurement procedures. Some suggestions for enhancement contained in best practices evaluation section.
CPO Designation and performance of assigned duties in accordance with the CPO's responsibilities as outlined in Marshall University Board of Governor's adopted purchasing manual. In general, is the CPO performing the CPO's responsibilities, duties and remedies outlined in the Marshall University Board of Governors Policy and duly adopted Purchasing Manual.	Reviewed Marshall University purchasing manual adopted by the Board of Governor's and implemented by the CPO. Reviewed procurement practices in place at Marshall University for conformance to adopted rules / regulations. Reviewed documentation outlining CPO designation and filing of designation with appropriate entities.	Designation and performance of assigned duties were in compliance with requirements. Designation made on 3/2/06 and filed with Vice Chancellor for Administration, Attorney General and State Auditor.
Review of delegated authority to Buyers by CPO. Is it in accordance with Board of Governors Policy and duly adopted purchasing manual?	Reviewed duties performed by buyers for conformance with responsibilities and duties defined in applicable regulations and purchasing manuals.	Delegated authority to Buyers was found to be in compliance with the Board of Governors Policy and the adopted purchasing manual. Effective 5/1/07 signature authority of all buyers was increased to \$5,000. Orders above that require signature of CPO or Assistant CPO.
Review of buyer's minimum qualifications.	Reviewed educational background and experience of individuals assigned as buyers.	No relevant findings noted. Buyers possessed requisite education and/or years of experience for qualification and designation as buyers.
Have institutional guidelines and procedures for purchases of \$5,000 and less been established as required by purchasing manual.	Reviewed policies and procedures established by the Board of Governor's and the Procurement staff relative to small purchases. Appropriate procedures have been established with preference given to utilization of p-cards where possible.	No relevant findings noted.

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Compliance Issue	Process Utilized	Result / Finding
Are requirements of the Governing Boards Purchasing Manual being followed	Reviewed selected purchasing orders, direct pays, and p-card transactions for compliance with purchasing manual requirements.	No relevant exceptions noted.
Review selected transactions for compliance with prompt payment act.	<p>Reviewed selected invoice payments for compliance with the State of West Virginia's prompt payment act procedures.</p> <p>Received data extraction of all invoices processed during period of evaluation to determine general compliance with prompt payment requirements.</p>	<p>No significant findings noted.</p> <p>Evaluation determined that invoices with problems are timely flagged and returned to departments for correction / clarification prior to payment. Delays in meeting prompt payment timeframes generally related to invoices with problems.</p>
Review selected purchase order file for compliance with purchasing manual requirements and appropriate documentation.	Reviewed selected purchasing order files.	<p>No relevant exceptions noted.</p> <p>Some files from first two years of review, did not contain all relevant documentation in the procurement file even though procurement was conducted in accordance with appropriate guidelines. Recommend that the CPO issue a policy outlining documentation requirements for all procurements and review with all buyers.</p>
Review selected purchase orders for construction contracts for compliance with purchasing manual requirements and appropriate documentation.	Reviewed selected construction contract purchase order files.	<p>No relevant exceptions noted.</p> <p>Appropriate documentation and procedures followed for samples reviewed.</p>

Compliance Issue	Process Utilized	Result / Finding
<p>Review selected special purchase orders (i.e. – sole source) for compliance with purchasing manual requirements and appropriate documentation.</p>	<p>Reviewed selected sole source purchase order files.</p>	<p>No significant exceptions noted.</p> <p>However, some supporting documentation relative to the sole source decision was missing in a limited number of files. In one case, no sole source form present (approval granted through signature of memo). Since sole source orders are not identified within the system by a unique identifier, Marshall University should consider implementing a special numbering system (or other unique identifier) to enable these to be readily identified.</p> <p>Additionally, the use of a sole source purchasing authorization form should be implemented to ensure consistent provision of justifications from user departments to Purchasing staff.</p>
<p>Review of bid documentation for compliance with date and time stamping of received proposals.</p>	<p>Reviewed 93 selected bid documentation files for necessary time stamps documenting responses received by due date and time and for general compliance with policies and procedures for RFPs.</p>	<p>No relevant exceptions found.</p> <p>The logs maintained of receipt of proposals have been kept in various formats during the study period. During the early years, no documentation was maintained of date and time responses were actually received – only the date and time when responses were opened. This has been corrected in the last three years of the audit time period.</p> <p>The project team recommends that the Marshall University Office of Purchasing maintain their log with actual time of receipt of proposal listed and that supporting documentation be maintained in each procurement file.</p>

**MARSHALL UNIVERSITY
PURCHASING PERFORMANCE AUDIT**

Compliance Issue	Process Utilized	Result / Finding
<p>Are the provisions of State Law, Board of Governor's Policy and adopted purchasing manual being followed for purchases in the following categories:</p>	<p>Sampled and reviewed purchase orders, and p-card transactions to determine compliance. The following number of procurement transactions were sampled in each year as part of this evaluation: 2004 – 28 2005 – 38 2006 – 47 2007 – 53 2008 – 20 2009 – 45</p>	<p>No relevant exceptions noted (other than those minor observations noted elsewhere in this report relative to sole source documentation and p-card transactions).</p>
<p>1. Under 5,000.</p> <p>2. Greater than \$5,000 but under \$25,000.</p> <p>3. Greater than \$25,000.</p>	<p>Sampled procurement files for purchases under \$5,000 for compliance with required procedures. Files included transactions from each fiscal year under review.</p> <p>Sampled procurement files for purchases greater than \$5,000 buy under \$25,000 for compliance with established procedures. Files included transactions from each fiscal year under review.</p> <p>Sampled procurement files for purchases in excess of \$25,000 for compliance with established procedures. Files included transactions from each fiscal year under review.</p>	<p>No significant exceptions noted. General compliance noted for sampled transactions.</p> <p>No significant exceptions noted. General compliance noted for sampled transactions. A few transactions did not include documentation of the required number of quotations within the file.</p> <p>No significant exceptions noted. General compliance with adopted policies present.</p> <p>Major identified issue is lack of consistent documentation format and inclusion in file. A standard process should be established for file maintenance and documentation requirements.</p> <p>On RFP submissions more documentation should be maintained on the date and time each proposal was received and included within the procurement file.</p>

Compliance Issue	Process Utilized	Result / Finding
4. Purchases under \$5,000 made on P-Card.	Reviewed sampled data for procurement transactions to determine compliance with established procedures and / or potential violations such as stringing.	No relevant finding noted. Staff assigned to processing p-card transaction maintain an on-going auditing process to ensure compliance with procedures and identification of potential stringing. Despite utilization of standard “stringing” report available on the system, Marshall University should consider the implementation of a more robust reporting program to identify violations. The current stringing report limits evaluation to those transactions occurring on the same day and would not “flag” transactions on different transaction dates.

As noted in the table above, the Marshall University procurement practices and policies were found generally to be in substantial compliance with the requirements imposed on them by either state law and/or the purchasing manual adopted by the Marshall University Board of Governors. The following minor points outlined findings where improved practices would improve and / or better document compliance:

- P-Card Purchases:** No significant concerns noted following review of transactions. Marshall University staff assigned to the processing of procurement card purchases have a good policy for auditing and evaluating compliance including monthly review of all transactions submitted. However, the existing “stringing” report is designed to only catch transactions with the same processing date. Consideration should be given to the development of a new report that would enable stringing evaluations over a wider period of time.
- Sole Source Purchases:** A review of selected sole source purchases identified no significant non-compliance issues in terms of inappropriate utilization of sole source purchases. However, some documentation regarding sole source purchases was not located in the purchase order files. Consideration should be given to instituting a common sole source approval form to ensure purchasing staff receive consistent information documenting the need for a sole source purchase. Sole source purchases are not identified in the system by any

unique identifier making it difficult to identify and audit the extent of sole source purchasing occurring. The University should consider modifying purchase order numbers to enable ready identification of sole source purchase orders.

- **Time Stamping of Bids:** The review of bids received in response to RFPs showed substantial compliance with the requirement that all responses be time and date stamped upon receipt. However, the process for logging receipt of proposals in the “log” has changed over time. All proposals should be logged when received (date and time) and a copy of this log placed in the procurement file to document compliance.

Recommendation: Additional reports should be utilized internally for evaluation of potential p-card stringing. Current reports only enable evaluation of those purchases that are processed on the same day enabling potential stringing violations that are processed on different days from being detected.

Recommendation: Additional efforts should be made to ensure that all supporting documentation relative to purchases is filed in the purchase order file. The CPO should develop an internal policy outlining documentation requirements for procurement files.

Recommendation: The University should consider implementation of a sole source authorization form for consistency. The University should consider modifications to the Purchase Order numbering system (or other identification within Banner) to enable easy identification of sole source purchases.

Recommendation: All date and time stamping of bids received should be done in a manner that makes it a permanent part of the bid documentation. A copy of the log showing date and time of proposal receipt should be included and maintained within the procurement file.