Marshall University

Purchasing Performance Audit Report

December 13, 2021

Marshall University

Purchasing Performance Audit Report

December 13, 2021

Table of Contents

Executive Summary

The Governing Board of Marshall University ("University") has adopted a Purchasing Policy (Policy No. FA-9) that defines the rules and policies governing and controlling purchase, acquisition, and inventory management of materials, supplies, equipment, services, construction, and printing. The President of the University oversees the Office of Purchasing. The Chief Procurement Officer has the authority to act in matters of institutional purchasing and serves as the central procurement officer for the University. The Chief Procurement Officer appoints buyers and delegates authority to them as designees, or to any department within the University. Contractual signature authority is held by the President, the Chief Operations Officer, and the Chief Procurement Officer. All purchases or acquisitions of materials, supplies, equipment, services, construction, and printing are awarded by competitive bidding, except as provided by law or by the University's purchasing policy. The statutory bid minimum is $50,000 for general purchases and $100,000 for construction projects. Signed quotations are required for all non-contract material purchases exceeding $25,000. The Office of Purchasing utilizes a purchasing application, known as Banner, to process on average 1,500 purchase orders in the average amount of $67M per fiscal year. The requestors utilize a requisition module within Banner to request that a purchase be reviewed and approved by the Office of Purchasing. The Office of Purchasing maintains a purchasing file for each procurement or acquisition.

The University has adopted the State of West Virginia Purchasing Card Program to streamline business purchasing practices. Agency Purchase Card Coordinator's role is to provide leadership and oversight for the University's purchase card program. Deans, directors, or designees are responsible for ensuring that all employees with purchase card responsibilities within their respective area comply with the established internal controls and relevant policies and procedures. The Departmental Card Coordinator's (DCC) role is to ensure the integrity and accuracy of all purchase card transactions within their assigned area of responsibility. The Supervisor's role is to ensure that each transaction is allowable, allocable, and reasonable, as well as in compliance with University policies and procedures. The cardholder is responsible for any transaction charged to their purchase card. The P-card manual contains the procedures associated with P-card oversight, eligibility, applications, use of a card, allowable and non-allowable purchases, documentation, recordkeeping, and reconciliation. The University utilizes wvOASIS application to process on average approximately 26,500 p-card transactions in the average amount of $12M per fiscal year.

In accordance with West Virginia Code Sections 18B-5-4, we have performed an "independent performance audit of all purchasing functions and duties". We have reviewed and assessed the purchasing and p-card functions during the course of our audit. We noted that the University has complied with State and University laws and regulations pertaining to general procurement governance, procurement procedures, or p-card procedures. The Purchasing and Accounts Payable Departments exhibited adequate internal controls and procedures that have been identified and are detailed in the applicable sections of this report. Provided below we have summarized the number of recommendations for each functional area:

Functional	Assessed Controls	Recommendations	
General	19	-	*0.00%*
Procurement	34	4	*11.76%*
P-Cards	9	1	*11.11%*
Total	**62**	**5**	*8.06%*

Areas where we recommend improvement in processes include:

1. *Procurement*. The Office of Purchasing should continue communicating to the requestors the University's purchasing policy and remind them that confirming purchase orders are not permissible, only the individuals designated by the policy have contractual signature authority, and emergency purchases exceeding the statutory bid minimum should receive the prior written approval from the Chief Procurement Officer and/or President of the University. (4 Total recommendations)

2. *P-Cards.* The Department Card Coordinators should continue their efforts to remind in-state and out-of-state vendors of the University's tax-exempt status and provide them with a tax-exempt certificate. (1 Total recommendation)

The recommendations noted in this report are aimed to improve the effectiveness of the procurement and P-card procedures and the related responsibilities and controls within the Purchasing and Accounts Payable Departments.

We have performed follow-up procedures applicable to the previously issued performance audit report dated September 14, 2018 that covered the period of July 1, 2014 through June 30, 2017. The prior performance audit report identified fifteen (15) recommendations and the University has completed and taken action on all of them:

2018 Performance Audit	Complete	In-Process	Not Started	Total
Recommendations	15	-	-	**15**

Audit Objective

The objectives of our engagement are as follows:

- Develop an understanding of the critical business processes of the University within the following functional areas:

General Governance

- o Review of Marshall University Purchasing Policies.
- o Analyze Organizational Structure and Job Descriptions.
- o Evaluate Information Technology Controls.
- o Review Management Reports.

Purchasing

- o Determine if the Purchasing Program is in conformance with West Virginia Code Section 12-3-10a and Title 148CSR7.
- o Evaluate compliance with state law, rules, policies, and procedures of Marshall University as they apply to purchasing, receiving, supplies, and equipment.
- o Assess whether professional procurement procedures are established and maintained within the University.
- o Assess whether the Chief Procurement Officer ("CPO") is performing the CPO's responsibilities, duties, and remedies outlined in the purchasing policy.
- o Evaluate the vendor awards that may receive multiple awards/purchase orders that exceed purchasing policy threshold levels.
- o Assess whether guidelines have been followed by Marshall University.
- o Evaluate Marshall University's purchasing training program for procurement staff.
- o Assess whether Marshall University has implemented an effective vendor evaluation system to manage vendors based on key performance indicators.
- o Determine whether procurement files are maintained in a comprehensive and thorough manner.
- o Evaluate the submission of bids and RFPS.
- o Assess the use of purchase orders, vendor catalogs, and e-procurement systems.
- o Assess accounting and reporting of high-volume vendors and commodities.
- o Evaluate the use of sole-source providers.

Procurement Cards (P-Cards)

- o Determine whether the Procurement Card ("P-Card") Program is being managed in conformance with West Virginia code Section 12-3-10a and is governed by Legislative Rule, 155 CSR 7.
- o Assess whether P-card procedures are established and maintained that outline the process for reviewing and reconciling transactions and describe the segregations of duties, and responsibilities of procurement staff.
- o Assessment of the issuance of cards to departmental users.
- o Evaluate the P-card transaction reports to ensure compliance with procurement policies (e.g., dollar limits on transactions, no payment of sales tax, no inappropriate purchases, etc.)
- o Ensure department transactions have been verified and approved by departments in a timely manner.
- o Ensure actual invoices, receipts, packing slips or other supporting documentation are accurate,

approved, and paid accurately/correctly.

- Identify and qualify risks based on the understanding of the business processes and stated business rules.

- Identify stated controls that are currently in place to address those risks and ascertain if they are operating effectively.

- Recommend improvements in internal controls.

Scope of the Engagement & Work Performed

The scope of the engagement covered the period from July 1, 2017 through June 30, 2020. Based on the audit objectives, our analysis consisted of the following:

1. Examined the documentation provided to us including, but not limited to, the following:

   o Organization chart and list of employees involved in Marshall University's purchasing function.
   o Policies, guidelines, procedural manual, and forms pertaining to Marshall University's purchasing, receiving, procurement card utilization, and accounts payable functions.
   o Job descriptions of the Chief Procurement Officer ("CPO"), Buyers, and other key personnel involved in Marshall University's purchasing function.
   o List of procurement contracts entered into between Marshall University and its vendors during the fiscal years 2017/2018, 2018/2019, and 2019/2020.
   o User permission report applicable to the Purchasing and Accounts Payable Module of Marshall University's financial application system.
   o List of purchase orders indicating vendors, purchasing description, original amounts, and applicable increases during the fiscal years 2017/2018, 2018/2019, and 2019/2020.
   o List of payments made by P-cards during the fiscal years 2017/2018, 2018/2019, and 2019/2020.
   o List of authorized cardholders and applicable purchasing limits during the fiscal years 2017/2018, 2018/2019, and 2019/2020.
   o List of active employees during the fiscal years 2017/2018, 2018/2019, and 2019/2020.
   o List of goods and services authorized to be purchased through P-cards.
   o Cash disbursement listing during the fiscal years 2017/2018, 2018/2019, and 2019/2020.
   o Vendor payment history reports during the fiscal years 2017/2018, 2018/2019, and 2019/2020.
   o Payment voucher packets including, but not limited to, check stubs, invoices, purchase orders, packing slips, and applicable supporting documentation.

2. Interviewed the Chief Procurement Officer/Director of Purchasing, Associate Director, Assistant Director, Purchasing Agents, Budget Manager, and P-Card Coordinator involved in the Purchasing and P-card functions. During our meetings, we had the opportunity to review documents and direct inquiries regarding transactional records, supporting documents, and reporting. The purpose of these interviews was to obtain knowledge as to each individual's job duties and involvement as they pertain to the purchasing cycle, day-to-day responsibilities, who they report to, and who they supervise.

3. Assessed the University's compliance with the West Virginia Code Section 12-3-10a and Title 148CSR7. We compared the University's internal controls and procedures to "best business practices" and "industry standards" developed by recognized procurement associations and research

organizations, and procurement operations exhibited at comparable institutions of higher education. Such assessments are presented within each applicable report section.

4. Assessed the possible impact the COVID pandemic may have had on the University's internal controls including control effectiveness, performance, and expenditures. Assessed possible improvements pertaining to the internal controls of the Purchasing and P-card functions. Such recommendations are presented within each applicable report section.

5. Prepared analysis and report. An audit exit conference was held on November 18, 2021 with the Vice President of Operations, Chief Procurement Officer/Director of Purchasing, Budget Manager, Director of Shared Business Services and Operations, Program Manager of P-Cards, Director of Audit, and Accounts Payable Manager. We presented our final audit report to the President of the University on December 13, 2021. The results, findings, and recommendations contained in this report were discussed with those attending.

Assessment of General Procurement Governance

Based on our analysis within the area of general procurement governance we have made the following observations and recommendations:

Control	Best Business Practices	University Current Controls & Practices	Recommendation
1	The Organization has developed a comprehensive procurement policy outlining required practices for obtaining goods, services, and construction services and has distributed it to all staff.	The University's Board of Governors has established a procurement policy that covers the pertinent procurement procedures for staff to follow.	No recommendations at this time.
2	The procurement policy has been reviewed and revised recently.	The procurement policy is reviewed annually by the Office of Purchasing and updated as needed.	No recommendations at this time.
3	The University's procurement policy is in compliance with West Virginia Code Sections §18B-5-4 and §18B-5-4a.	The University's procurement policy and procedures are in compliance with applicable state laws and regulations per the policy established by the Board of Governors.	No recommendations at this time.
4	The CPO has been properly designated as CPO and is performing the CPO's responsibilities, duties, and remedies outlined per Policy, State Law, and duly adopted Purchasing Manual.	The University has designated a CPO who is performing the responsibilities, duties, and remedies as outlined in the University's Board of Governors' Policy, State Law, and duly adopted Purchasing Manual.	No recommendations at this time.
5	Buyer delegations have been made according to Policy, West Virginia Code, and duly adopted Purchasing Manual.	The University has established Buyer delegations according to the University's Board of Governors' Policy, West Virginia Code, and duly adopted Purchasing Manual.	No recommendations at this time.
6	All existing and new staff assigned to procurement functions are required to receive, review and attend training on the University's policy upon appointment.	The University provides training to the procurement staff on the University's procurement policy. The Office of Purchasing also cross-trains staff.	No recommendations at this time.
7	The procurement policy contains an ethics section governing staff and vendor actions.	The University's procurement policy includes ethics and refers to the West Virginia Governmental Ethics Act.	No recommendations at this time.

Control	Best Business Practices	University Current Controls & Practices	Recommendation
8	The University has published a guide for vendors. The guide has been revised within the last three years.	The Office of Purchasing has a Vendor Resources section on the website that includes bid awards, open RFP's, and instructions to vendors.	No recommendations at this time.
9	Formal training is offered annually to educate potential vendors on the University's policies and procedures.	The University has held in-person and virtual vendor training in 2019 and 2020. The Office of Purchasing is in the process of searching for vendors to conduct additional future training.	No recommendations at this time.
10	A customer survey has been conducted within the last three years to obtain feedback regarding service levels and practices.	The Office of Purchasing has conducted customer surveys and the Associate Director has performed follow-up procedures with customers. The Office of Purchasing met with various Departments to discuss any non-performance issues to address with vendors in upcoming purchase orders.	No recommendations at this time.
11	A policy/process is in place to periodically evaluate vendors and outlines criteria for expressing concerns regarding a vendor's eligibility to continue doing business with the University.	Due to limited staff resources, the Office of Purchasing currently relies on the end-users to provide feedback. The Office of Purchasing meets with vendors and the applicable Department if there is a need to address a contract performance issue.	No recommendations at this time.
12	Contracts entered into by University staff are either: · Reviewed by legal staff prior to signing; or · Based upon contract templates having received prior University legal approval.	The Office of Purchasing utilizes contract templates, where possible. The Legal Department reviews contracts prior to signing.	No recommendations at this time.
13	A master listing of authorized purchasers for each department with designated authority level is maintained by Procurement.	The Office of Purchasing maintains a listing of authorized purchasers for each department with designated authority levels.	No recommendations at this time.
14	All changes in authorized purchasers (hired/terminated staff) are communicated within 24 hours to Procurement by the appropriate department.	The University has a process in place whereby the Departments notify the applicable Dean and Department Chair of any changes in authorized purchasers, P-card holders, and purchasing accounts codes.	No recommendations at this time.
15	Guidelines have been developed to limit the number and dollar amount of non-competitively bid contracts that can be awarded to a single vendor.	The Office of Purchasing is in the process of creating a Small Vendors Program that would diversify the number of non-competitive bid contracts and awards among multiple vendors.	No recommendations at this time.
16	A documented appeal procedure is in place for vendors not selected.	The University has developed a process for vendors to submit their appeal requests to the CPO and the Legal Department for review.	No recommendations at this time.

Control	Best Business Practices	University Current Controls & Practices	Recommendation
17	A centralized procurement authority has been established and is responsible for overseeing all University purchasing to ensure compliance with established policies and procedures.	The Office of Purchasing is responsible to review and approve all University purchases and ensure compliance with University purchasing policies and West Virginia Code Section 12-3-10a and Title 148CSR7.	No recommendations at this time.
18	The Office of Purchasing reviews procurement functions performed by other departments on a regular basis to ensure compliance with University policies and procedures.	The University has established a process whereby the Departments submit their requisitions to the Office of Purchasing to review, approve, and convert their requisition into a purchase order.	No recommendations at this time.
19	A centralized listing of registered vendors is maintained as part of the purchasing function.	The Office of Purchasing maintains an up-to-date listing of authorized vendors in the Banner applications.	No recommendations at this time.

Assessment of Purchasing Procedures

The following table summarizes the number of vendors, purchases orders, checks, and applicable amounts expended by the University during the fiscal years 2017/2018, 2018/2019, and 2019/2020:

Procurement	2017/2018	2018/2019	2019/2020
Vendors	1,490	1,538	1,527
Purchase Orders	1,515	1,483	1,424
Checks	11,914	11,350	10,868
$ Amount	$66,160,074	$65,298,328	$71,019,667

Source: Check disbursement listing generated by the Banner application for the fiscal years 2017/2018 through 2019/2020

We selected a random sample of 150 purchase orders that were under $50,000 and did not require competitive bids and 150 purchase orders for which the statutory bid minimum was $50,000 during the period of July 1, 2017 through June 30, 2020. We have tested the voucher packets for each of the selected purchase orders against our audit criteria. Based on our analysis of the University's purchasing procedures we have made the following observations and recommendations:

Control	Best Business Practices	University Current Controls & Practices	Recommendation
1	The University utilizes a common procurement software across all departments.	The University utilizes Banner as a common system for procurement for all departments.	No recommendations at this time.

Control	Best Business Practices	University Current Controls & Practices	Recommendation
2	The automated financial system utilized for procurement contains the following elements/functionality: · 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.	The Banner application has the following capabilities: - Maintains a database of approved vendors. - Departments can enter requisitions and the Office of Purchasing personnel can review and approve their requisitions electronically. · Issue electronic purchase orders. · Issue electronic payments to vendors. · Generate queries indicating up-to-date purchasing information.	No recommendations at this time.
3	The University has utilized the internet homepage to provide the following services: · Access to the University's procurement policy. · Online electronic vendor registration. · Online posting and distribution of formal solicitations (ITB, RFQ, RFP). · Receipt of formal bids & proposals electronically. · Posting of bid tabulation results following the opening. · Posting of award notifications online.	The Office of Purchasing has made available the following through the University's website: · The University's procurement policy. · Online vendor registration forms (Available as of October 2021). · Open solicitations. · Bids tabulations results. · Vendor award notifications It should be noted that bids and proposals can be submitted electronically through Bonfire.	No recommendations at this time.
4	Staff involved with procurement are able to view historical purchases online to evaluate current bids, proposals, and quotations against prior purchase experience.	The Office of Purchasing personnel has access to the Banner application to view and analyze historical vendor purchases to evaluate bids, quotes, and quotations.	No recommendations at this time.
5	Appropriate internal controls are in place within the procurement system to generate reports or flag actions where: · 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.	The Office of Purchasing is in the process of implementing commodity codes for small businesses in Banner, with an expected completion date in 2022. This will assist personnel in conducting spending analysis by commodity and analyzing reports for payments that would exceed contract and purchasing limits.	No recommendations at this time.

Control	Best Business Practices	University Current Controls & Practices	Recommendation
6	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.	The University has adopted a sole source policy. As of November 2, 2020, the Office of Purchasing has established a standardized sole source form. The Office of Purchasing has developed a process to post a Notice of Intent to Award a Sole Source procurement in Bonfire and an advertisement in the local newspaper if purchases exceed $50,000.	No recommendations at this time.
7	The sole source policy outlines the acceptable reasons for utilizing a sole source purchasing arrangement.	The sole source policy outlines the acceptable reasons for utilizing a sole source purchasing arrangement.	No recommendations at this time.
8	All departments are required to follow the University's approval for sole-source contracts.	The requestor and/or Department is required to provide the sole source form to the Purchasing Department for review and approval.	No recommendations at this time.
9	There is a clear policy in place for addressing violations of the sole-source contract policy, including disciplinary actions.	The Board of Governors' purchasing policy and the university's purchasing handbook both outline repercussions for the violation of purchasing policy, including the sole source policy.	No recommendations at this time.
10	All sole source purchases are reviewed by the Office of Purchasing and approved prior to entering into a purchase agreement.	All sole source purchases are reviewed by the Office of Purchasing personnel and approved prior to entering into a purchase agreement.	No recommendations at this time.
11	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.)	Departments provide research and backup documentation in writing justifying sole sourcing.	No recommendations at this time.
12	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.).	In addition to the Bonfire posts and local newspaper advertisements, the Office of Purchasing searches for vendors through cooperative bidding and conducts market researches to assess the reasonableness of the sole source prices.	No recommendations at this time.
13	Procurement Services Division maintains a master database/report of all sole source purchases.	The Office of Purchasing maintains a master list of sole-source purchases.	No recommendations at this time.

Control	Best Business Practices	University Current Controls & Practices	Recommendation
14	The policy contains appropriate procurement processes to achieve competitive pricing on service contracts not requiring formal bidding / RFPs.	In addition to the Bonfire posts and local newspaper advertisements, the Office of Purchasing searches for vendors through cooperative bidding and conducts market researches to assess the reasonableness of the sole source prices. The Chief Procurement Officer may approve the purchase of materials, supplies, equipment, services, construction, and/or printing directly from a vendor without competitive bid or proposals if any of the following conditions exist: - The item cannot be obtained through ordinary purchasing procedures; - The item is unique and not available from any other source; or - The item is available from a state spending unit or other institution with preference under the West Virginia Code, provided the price, availability, and quality are comparable to those in the open market.	No recommendations at this time.
15	Master databases are maintained of all service and construction contracts entered into by the University.	The Office of Purchasing assigns within Banner account codes for construction contracts and purchases and is in the process of expanding these codes to include additional commodity codes.	No recommendations at this time.
16	Appropriate documentation is maintained supporting the selection decision reached by staff.	The Office of Purchasing maintains substantial documentation and complies with the State's regulations to support their selection decision.	No recommendations at this time.
17	All service-related contracts are either based upon contracts approved by the University or based upon a vendor-supplied contract that is reviewed by legal staff prior to signature.	The University has a process in place whereby service related contracts are reviewed by the Office of Purchasing the Legal Department.	No recommendations at this time.
18	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.	The Purchasing Department routinely assists other departments with negotiating pricing.	No recommendations at this time.
19	Services and commodities utilized by multiple departments are acquired through a joint effort coordinated by the Office of Purchasing to achieve the best value for the University.	The Purchasing Department buys services and commodities utilized by multiple departments in bulk, through a joint purchasing arrangement.	No recommendations at this time.

Control	Best Business Practices	University Current Controls & Practices	Recommendation
20	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.).	The Office of Purchasing has established a process whereby the Departments utilize a standardized points system to select service related vendors.	No recommendations at this time.
21	Basic documentation on service contracts including RFPs/RFQs, vendor submissions, selection process, etc. is maintained by Procurement for all contracts.	The Office of Purchasing maintains documentation, including RFPS/RFQ's, vendor submissions for service related contracts.	No recommendations at this time.
22	Project Managers are responsible for evaluating the performance of vendors on construction contracts and documenting and approving the need for change orders.	Project managers are required to submit a signed approval of any change orders to the Office of Purchasing for review and approval in Banner. Due to limited staff resources, the Office of Purchasing currently relies on the end-users to provide feedback. The Office of Purchasing meets with vendors and the applicable department if there is a need to address a contract performance issue.	No recommendations at this time.
23	Quarterly reports are generated identifying major vendors with the University that are doing business with more than one department to identify potential areas for joint purchasing efforts.	The Office of Purchasing performs ongoing assessments of major vendors and open contracts to assess opportunities for joint purchasing between departments and to achieve cost savings.	No recommendations at this time.
24	A quarterly report is prepared describing each contract that is ending within the next six months and details the eligibility for a contract extension (based upon original contract terms).	The Office of Purchasing manually tracks on an ongoing basis the contract expiration dates.	No recommendations at this time.
25	The Office of Purchasing identifies and makes users aware of available cooperative purchasing agreements and GSA- like/State schedules available for direct purchases.	The University's cooperative purchasing arrangements are all visible on the public website.	No recommendations at this time.
26	The University has a defined compliance function with defined tasks, duties, and required reviews.	The compliance function is achieved by having the State Auditors audit all claims that exceed $5,000 and the CPO audit all claims that exceed $50,000 to ensure compliance with the University's purchasing policy.	No recommendations at this time.
27	The University Office of Purchasing maintains records of procurement activities in accordance with the State of West Virginia Records Retention regulations.	The Office of Purchasing maintains physical and digital procurement records in accordance with state law.	No recommendations at this time.

Control	Best Business Practices	University Current Controls & Practices	Recommendation
28	Requisitions are created and approved prior to Purchase Orders being generated. Purchase Orders are created prior to invoices for goods and services being generated.	The University's Purchasing and Receiving Guidelines Policy states "Requisitions are the electronic forms for initiating the issuance of a purchase order. All approved requisitions are converted to a Purchase Order by the Office of Purchasing." ***Based on the testing procedures performed, we noted 82 instances in the total amount of $6,462,715 that the invoice date preceded the purchase order date.***	All purchases should be subject to the requisition process and be created and approved by the Office of Purchasing prior to processing. Confirming purchases should be supported by a memorandum or letter justifying the circumstances and the need to issue a confirming purchase order.
29	The University has developed documented policies and procedures covering individuals designated to perform purchasing and acquisition functions as authorized by the Chief Procurement Officer.	The President and Chief Procurement Officer have full procurement authority. Contractual signature authority is held solely by the President, the Chief Operations Officer, and the Chief Procurement Officer. Others may be designated by the President for approval of specific contracts. ***Based on the testing procedures performed, we noted four (4) instances in the total amount of $315,778.00 where contracts were not signed by the individuals authorized by the University.***	According to the Purchasing Policy, all contracts should be signed by the President, Chief Procurement Officer, and/or Chief Operating Officer. Others may be designated by the President for approval of specific contracts. Leases and other instruments for grounds, buildings, office, or other space, once approved by the Governing Board, may be signed by the President, the Chief Operations Officer, or the Chief Procurement Officer.
30	All supporting documentation is reviewed to ensure information is correct and proper signatures are provided.	The Office of Purchasing has implemented a process regarding the completion of Sole Source Forms for all applicable purchases. ***Based on the testing procedures performed, we noted one (1) purchase in the amount of $340,000.00 that the Sole Source Justification Form was not signed. This finding was during the prior CPO's tenure in that position. We did not observe any exceptions in the purchases reviewed by the current CPO.***	No recommendations at this time.
31	There are documented policies and procedures covering emergency purchases and the required documentation that must be included with the purchase order.	The University purchasing policy covers emergency purchases. The purchasing guidelines cover the situations that define an emergency. ***Based on the testing procedures performed, we noted one (1) purchase in the amount of $28,673.00 was made for an emergency however supporting documentation was not available for review.***	According to the purchasing policy, emergency purchases exceeding the statutory bid minimum must receive the prior written approval of the Chief Procurement Officer and/or President of the University.

Control	Best Business Practices	University Current Controls & Practices	Recommendation
32	Electronic bids are submitted in a format that allows for importation to the purchasing software.	The Office of Purchasing utilizes Bonfire for its vendors to submit electronically their bids. The bid information is manually entered from Bonfire to Banner.	The Office of Purchasing should continue its efforts in conducting a cost-benefit analysis of software solutions that will assist its personnel in uploading vendor bid information submitted in Bonfire or its vendor registration portal.
33	User access reports for the purchasing systems are reviewed annually to ensure employee permissions are accurate.	The Information Technology Department and the Office of Purchasing review the user permissions in the Banner purchasing system annually to ensure employee access are in accordance with their job functions.	No recommendations at this time.
34	Procurement software allows for tracking and reviewing open purchases orders.	The Office of Purchasing and applicable department personnel have access to the Banner system to review open purchase orders on an ongoing basis and at year-end. The Banner application has controls in place that prevent purchase orders from exceeding their encumbered amounts.	No recommendations at this time.

Assessment of Procurement Cards (P-Cards) Procedures

The following table summarizes the number of cardholders, vendors, P-card transactions, and applicable amounts expended by the University during the fiscal years 2017/2018, 2018/2019, and 2019/2020:

P-Cards	2017/2018	2018/2019	2019/2020
Cardholders	307	300	270
Vendors	3,931	4,694	3,999
Transactions	28,283	28,522	23,476
$ Amount	$12,065,407	$13,305,097	$10,342,663

Source: List of payments made by P-cards generated by the wvOASIS application for the fiscal years 2017/2018 through 2019/2020

We selected a random sample of 300 procurement card transactions reported during the period of July 1, 2017 through June 30, 2020 and we have tested the applicable supporting documentation against our audit criteria. Based on our analysis of the University's procurement card procedures we have made the following observations and recommendations:

Control	Best Business Practices	University Current Controls & Practices	Recommendation
1	Policy and procedures are established and adopted by the University for the use of Procurement Cards.	The University has a clearly defined purchasing card policy and manual that has been updated in the last three years.	No recommendations at this time.
2	All existing and new staff assigned a procurement card are required to receive, review and attend training on the University's policy prior to being provided a procurement card from the State.	The Purchasing Card Department provides training to new and existing procurement cardholders on the University's policy, procedures, and state laws and regulations.	No recommendations at this time.

Control	Best Business Practices	University Current Controls & Practices	Recommendation
3	Procurement card use is periodically audited by the University to ensure compliance with policies, procedures, and state laws and regulations.	The Purchasing Card Department audits 100% of the P-card transactions to ensure compliance with established policy. The State performs monthly audits on a sample basis.	No recommendations at this time.
4	Purchase cards may not be utilized to obtain cash advances unless otherwise approved by the State Auditor.	The University's purchasing card manual limits the availability for cash advances to those approved by the Program Coordinator and the State Auditor.	No recommendations at this time.
5	P-cards are used in such a way to increase the efficiency of the purchasing process.	The Purchasing Card Program provides an opportunity for the University to streamline business purchasing practices.	No recommendations at this time.
6	Each P-card transaction is accompanied by an explanation of the business purpose for the purchase. In addition, supporting documentation is reconciled prior to submission.	As of July 2018, the Purchasing Card Department has established a process whereby each purchase is supported by a "Business Justification Form" and reviewed by a Departmental Card Coordinator (DCC). ***Based on the testing procedures performed, we noted the following:*** ***- The Purchasing Card Department maintained the required "Business Justification Form" for P-card transactions that were reported subsequent to July 2018. We verified that the P-card transactions were reviewed and reconciled by the applicable DCC.*** ***- All P-card transactions were supported by itemized receipts.***	No recommendations at this time.
7	The University's tax-exempt status is communicated to vendors prior to initiating transactions.	The University's purchasing card manual indicates the University's tax-exempt status and the cardholder's responsibility for providing the vendor with the tax-exempt certificate. ***Based on the testing procedures performed we noted five (5) instances in the total amount of $21,508.70 where sales tax was paid. It was represented that Cardholders are to remind vendors that the State of West Virginia is tax-exempt prior to initiating a transaction. Vendors out of the state are not required to honor this exemption. It was represented that the Purchasing Card Department is in the process of seeking reimbursement from the vendors.***	The Department Card Coordinators should continue their efforts to remind in-state and out-of-state vendors of the University's tax-exempt status and provide them with a tax-exempt certificate.

Control	Best Business Practices	University Current Controls & Practices	Recommendation
8	P-card utilization is well defined regarding the goods and services allowed to be paid for through the P-cards.	The University has adopted a purchasing card policy and manual that defines allowable purchases to be transacted through P-cards. ***Based on the testing procedures performed, we noted that all P-card transactions pertained to allowable expenses.***	No recommendations at this time.
9	A master listing is maintained of authorized purchasers for each department with designated authority level and transaction limits.	The Purchasing Card Department maintains a listing of purchasers for each department with designated authority levels and transaction limits. ***Based on the testing procedures performed, we noted that all P-card transactions were within the cardholders' transaction limits.***	No recommendations at this time.

Status of Prior Audit Recommendations

We conducted follow-up procedures applicable to the previously issued performance audit report dated September 14, 2018 that covered the period of July 1, 2014 through June 30, 2017. The services we performed included observing and evaluating the implementation status of the University's action plan in respect to the performance audit recommendations. The September 14, 2018 performance audit report identified fifteen (15) recommendations and the University has completed and taken action on them as follows:

2018 Performance Audit	Complete	In-Process	Not Started	Total
Recommendations	15	-	-	**15**

#	2018 Performance Audit Observations & Recommendations	Current Year Observations (2021)	Status (2021)
1	The Department does not regularly offer vendor training. The University does not currently have a formal or regular vendor training program to address key concerns with the University's vendors and acquaint them with procurement practices at the University. *Additional training opportunities should be considered to educate potential vendors about purchasing opportunities and requirements.*	The University has held in-person and virtual vendor training in 2019 and 2020. The Office of Purchasing is in the process of searching for vendors to conduct additional future training	Complete
2	The Department does not have the results of a recent internal customer survey. The Office of Purchasing does not conduct satisfaction surveys of internal customers. *An annual customer survey should be conducted to identify the level of service provided to customers and ways the Office of Purchasing can enhance services.*	The Office of Purchasing is planning to conduct formal annual customer surveys. Currently, the Office of Purchasing has conducted informal customer surveys and the Associate Director has performed follow-up procedures with customers. The Office of Purchasing met with various departments to discuss any non-performance issues to address with vendors in upcoming purchase orders.	Complete

#	2018 Performance Audit Observations & Recommendations	Current Year Observations (2021)	Status (2021)
3	Vendor evaluation is not a routinely undertaken process. This is only done when a department has a particular reason or strong opinion about a vendor. The Office of Purchasing does not currently conduct regular vendor evaluations. This would be most valuable for high-value contracts. *Consideration should be given to implementing formal vendor evaluations on larger contracts (i.e. – those exceeding $100,000).*	Due to limited staff resources, the Office of Purchasing currently relies on the end-users to provide feedback. The Office of Purchasing meets with vendors and the applicable department if there is a need to address a contract performance issue.	Complete
4	A formal evaluation process or set of criteria has not been adopted for weighing the selection of service providers when pricing is not the sole consideration.	The Office of Purchasing has established a process whereby the request for proposals from service providers includes evaluation criteria to address the various objectives of each service request.	Complete
5	Vendors cannot register electronically on the website. Vendors are not currently able to register through the Purchasing home page or submit electronic bids and proposals. *Website functionality should be enhanced to allow online vendor registration.*	The Office of Purchasing has created a vendor registration portal.	Complete
6	Bid tabulation results are not posted on the website. *The Department should consider using the website to post bid tabulations as well as the final result.*	Bid tabulation results are posted on the University's website.	Complete
7	The University does not currently conduct periodic spend analysis to determine commodity areas where group purchasing would be more effective. There is no automatic flag in Banner to note when purchase order requests exceed established approval levels.	The Office of Purchasing conducts annual spend analyses to determine commodity areas where group purchasing would be more effective. The Banner application has controls in place that prevent purchase orders from exceeding their encumbered amounts.	Complete
8	There is not currently a standard set of criteria or evaluation process for determining the appropriateness of executing a contract extension versus re-bidding an existing contract.	The Office of Purchasing has a process in place whereby open-end contracts are awarded for a period of one (1) year with up to four (4) one (1) year or nine (9) year extensions. When extension years are exhausted, the Office of Purchasing rebid the contract.	Complete

#	2018 Performance Audit Observations & Recommendations	Current Year Observations (2021)	Status (2021)
9	No standardized sole source form is used. Instead, departments get a letter verifying sole source status.	As of November 2, 2020, the Office of Purchasing has established a standardized sole source form. The Office of Purchasing has developed a process to post a Notice of Intent to Award a Sole Source procurement in Bonfire and an advertisement in the local newspaper if purchases exceed $50,000.	Complete
10	The department does not have procedures to achieve competitive pricing in sole source situations.	In addition to the Bonfire posts and local newspaper advertisements, the Office of Purchasing searches for vendors through cooperative bidding and conducts market researches to assess the reasonableness of the sole source prices.	Complete
11	The policy does not provide guidelines to achieve competitive pricing in sole source situations. *The policy should include guidelines for practices such as comparing vendor pricing to past clients.*	The Office of Purchasing follows the University's purchasing policy regarding cooperative bidding.	Complete
12	The master database contains construction purchases, but they are not specially marked. *Construction contracts should be specially designated in Banner.*	The Office of Purchasing assigns in Banner account codes for construction contracts and purchases and is in the process of expanding these codes to include additional commodity codes.	Complete
13	The Office of Purchasing does not currently prepare quarterly reports identifying major vendors doing business with multiple University departments in an effort to consolidate contracts. A quarterly report is not generated automatically.	Due to reporting limitations in the Banner application, the Office of Purchasing has established a reporting process to identify major vendors on an annual basis.	Complete
14	The Department has not yet migrated to fully electronic file management for purchasing documentation.	The Office of Purchasing has established a process whereby the purchase orders and applicable documentation are uploaded to the Banner applications and saved on a shared drive on the University's network.	Complete
15	The compliance office does not exercise oversight of the Purchasing Department.	The compliance function is achieved by having the State Auditors audit all claims that exceed $5,000 and the CPO audit all claims that exceed $50,000 to ensure compliance with the University's purchasing policy.	Complete

Please contact our Hauppauge, New York office @ 631-756-9500 if you should have any questions in this regard.