

OFFICE OF THE STATE INSPECTOR GENERAL

Virginia Department of General Services:
eVA eProcurement Bureau

Performance Audit

June 2019



Michael C. Westfall, CPA
State Inspector General
Report No. 2019-PA-004



COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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June 13, 2019

Governor Ralph Northam
P.O. Box 1475
Richmond, VA 23219

Dear Governor Northam:

The Office of the State Inspector General (OSIG) recently completed an audit of the Virginia Department of General Services' (DGS) eVA eProcurement Bureau. The final report, which offers four findings and recommendations for improvement, is attached for your review and information.

OSIG would like to thank DGS Director Joseph Damico and his staff for their cooperation and assistance during this audit.

Respectfully,

A handwritten signature in black ink, appearing to read "Michael C. Westfall", with a long horizontal line extending to the right.

Michael C. Westfall, CPA
State Inspector General

CC: Clark Mercer, Chief of Staff to Governor Northam
Suzette P. Denslow, Deputy Chief of Staff to Governor Northam
Keyanna Conner, Secretary of Administration
Thomas K. Norment Jr., Co-chair of the Senate Finance Committee
Emmett W. Hanger Jr., Co-chair of the Senate Finance Committee
R. Lee Ware, Chairman of the House Finance Committee
Joseph Damico, Director, Department of General Services

HIGHLIGHTS

Virginia Department of General Services: eVA eProcurement Bureau

What OSIG Found

Select Institutions of Higher Ed Indicate eVA Does Not Meet their Needs

The Commonwealth's institutions of higher education (IHE) play a significant role in statewide procurement, accounting for more than 49 percent of eVA fees paid by state entities during FY2017. However, surveys performed with various universities across Virginia, including interviews with procurement professionals at several Tier II and Tier III universities, have indicated eVA does not meet all of their e-procurement needs. IHEs that have elected to use alternate systems to fulfill their procurements needs are required to bear the costs of these systems in addition to eVA fees, despite limited use of the eVA program.

The Vendor Registration Process Needs Improvement

Internal policies and procedures have not been fully developed and written to provide DGS staff with approved methods for reviewing potential vendors registered in eVA. Without formalized policies and procedures, employees run the risk of taking inconsistent approaches to registrations, leading to organizational inconsistency, inefficiency and inequity. The bureau currently performs minimal vetting for newly registered vendors.

Management plans to implement corrective actions from June 2019 to June 2021.

Why OSIG Did This Audit

- eVA was selected for audit based on an annual work plan developed by OSIG Performance Audit Services to identify areas for potential improvements to effectiveness, efficiency and economy of operations. The annual work plan included feedback from previous audits as well as input from Cabinet secretaries.

What OSIG Recommends

- Ensure each IHE is represented when new procurement platforms are discussed; request that IHEs demonstrate their systems to gain a better understanding of their specific needs.
- Compile and update the policies and procedures manual outlining the vendor registration review process and monitor the timing of vendor registrations to ensure they are performed within prescribed timeframes.
- Implement a process that ensures all eVA-registered vendors are authorized to conduct business in the Commonwealth. In the interim, add a disclaimer in eVA that informs buyers an in-depth examination has not been performed over registered vendors and additional reviews may be necessary.



For more information, please contact OSIG at (804) 625-3255 or www.osig.virginia.gov

TABLE OF CONTENTS

Background	1
Scope	2
Objectives.....	2
Methodology	3
Findings.....	4
Develop Solutions to Better Accommodate Institutions of Higher Education in the eProcurement System.....	4
Improve the Vendor Registration Process.....	7
Improve Transparency of eVA Fee Amounts	8
Establish More Defined and Distinct Performance Measures	10
Audit Results.....	14
Appendix I – Management Corrective Action Plan.....	15

BACKGROUND

Agency Responsibilities:

The Department of General Services (DGS) provides support to other agencies by delivering a variety of services, including laboratory, engineering and architecture, procurement, real estate, vehicle management and graphic design. DGS serves not only Virginia state agencies, but local and federal government entities, as well as businesses and citizens.

The *Code of Virginia* permits the DGS director to organize the divisions of the agency to best meet the needs of the Commonwealth and to promote effectiveness and efficiency. Currently, the agency is organized as follows:

- Office of the Director;
- Division of Real Estate Services and Facilities Management;
- Division of Purchases and Supply;
- Division of Engineering and Buildings; and
- Division of Consolidated Laboratory Services.

The Division of Purchases and Supply (DPS) provides services that make it easier and more convenient to do business with the Commonwealth and simpler and more cost efficient for the government to do its business. The division's flexible and innovative approach to procurement creates cost savings and ensures transparency and accountability in the purchasing and contracting process.

DPS is responsible for the Commonwealth's procurement of nontechnology goods and services, including:

- Managing Virginia's innovative electronic procurement system (eVA);
- Establishing long-term, nontechnology statewide contracts that leverage buying power to reduce the cost of goods and services for agencies, institutions and local governments;
- Providing training for public procurement professionals on the Virginia Public Procurement Act;
- Delegating procurement authority to agencies and institutions under their purview;
- Overseeing the integrity of the procurement process by conducting agency reviews;
- Providing assistance to agencies and businesses on the procurement process and the effective use of eVA; and
- Managing the Virginia Distribution Center, which provides goods and materials to state and local government entities.

eVA:

eVA serves as Virginia's online, electronic procurement system. Overseen by DPS, eVA leverages buying power, achieves administrative efficiencies and provides a central portal to businesses for procurement opportunities that increases competition and delivers best quality and value for state agencies, institutions of higher education and local governments. This service area aligns directly with DGS' mission of delivering quality, cost-effective and timely services while also serving businesses and citizens.

eVA is used by more than 13,000 state agency and local government buyers to announce procurement opportunities, receive quotes and place orders for goods and services. Since its inception in 2001 [through 2018], eVA has transformed the way the Commonwealth buys goods and services in the following ways:

- \$30 million in annual savings through eVA;
- \$7.6 million orders in eVA since its inception, representing \$64 billion in spend; and
- More than 90 percent of state spend captured in eVA.

Source: <https://dgs.virginia.gov/procurement>

eVA also provides free, public access to past, current and future procurements as well as detailed information on the rules, regulations, processes and standards behind those procurements. This information is available to every vendor, citizen and government-purchasing professional through the eVA Report and Resource Center, a primary component of the Transparency in Procurement program.

SCOPE

The audit scope covered the eVA eProcurement operating environment from July 1, 2016, through December 31, 2017.

OBJECTIVES

Objectives of this audit were:

- Determine if the DPS eProcurement Bureau has defined goals for the eVA eProcurement system. If so, determine if it is meeting those goals. If not, determine the impact and its significance.
- Determine if eVA users are receiving regular, timely and effective communication from DPS about updates to the functionality and usability of eVA. If they are not, identify the communication methods DPS is using and any improvements to be made. Determine the impact and significance of the difference.

- Determine if there are other states that have implemented a statewide e-procurement system. Compare the benchmarking results to eVA and identify any potential improvements based on the results.
- Determine if all eVA fees (and the associated fee schedule) are being applied fairly and effectively and if there are other methods of generating revenue based on information obtained from benchmarking.
- Review the new vendor registration process and determine if a process exists for vetting vendors. If no process exists, determine the impact on the agencies and the Commonwealth as a whole.

METHODOLOGY

OSIG conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that OSIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OSIG believes the evidence obtained provides reasonable basis for the findings and conclusion based on the audit objectives.

OSIG applied various methodologies during the audit process to gather and analyze information pertinent to the audit scope and to assist with developing and testing the audit objectives. The methodologies included the following:

- Conduct interviews and observations/walk-throughs;
- Examine policies and procedures to gain an understanding of the eVA system;
- Assess processes for efficiency and effectiveness;
- Collect and analyze eVA fee, revenue and usage data;
- Benchmark eVA business processes, activities and performance metrics against similar eProcurement programs in other states; and
- Conduct surveys of eVA users.

FINDINGS

Develop Solutions to Better Accommodate Institutions of Higher Education in the eProcurement System

While the eVA platform provides a comprehensive suite of tools that meets the needs of most agencies within the Commonwealth, select institutions of higher education (IHE) have indicated eVA does not accommodate all of their e-procurement needs, especially as it relates to integration with their Banner Finance System (Banner). Of the major universities surveyed, in-depth conversations with their procurement staff at all levels have indicated eVA to be inefficient in meeting their needs. Additionally, IHEs that have elected to use alternate systems to fulfill their procurement needs are required to bear the costs of these systems in addition to eVA fees, despite limited use of the eVA system.

IHEs operate under the Restructured Higher Education Financial and Administrative Operations Act, which allows three tiers of autonomy. IHEs operating as Tier III have been granted autonomy through individual management agreements approved by the General Assembly that require that the IHE use eVA directly, by integration or interface and comply with the eVA business plan. Section 4-9.01(e)(4) of the Appropriation Act also requires that Tier III institutions have no less than 80 percent of purchase transactions flow through eVA, with 75 percent of dollars going to eVA vendors. Currently, the only schools with Tier III autonomy in the Commonwealth are:

- Virginia Polytechnic Institute and State University (VT);
- University of Virginia (UVA);
- The College of William and Mary (W&M); and
- Virginia Commonwealth University (VCU).

VT and UVA are granted additional authority, found in Attachment 2 of their management agreements, to utilize the SciQuest platform and transmit orders through an eVA interface. The management agreements' attachment reflects VT and UVA's arrangement that each would be subject to the established eVA fees. Furthermore, the management agreements' attachment requires VT and UVA to comply with the Governor's eVA Management Objective to have 95 percent of all non-exempt orders processed by eVA.

During interviews, IHEs conveyed concerns related to the efficiency of the eVA program. For example, there are situations when IHEs are manually entering accounting information into eVA, resulting in excess time and expense. When solutions to issues such as this have been proposed

in the past, IHEs communicated a lack of representation in the decision-making process compared to other state agencies.

This issue is not unique to the Commonwealth. When benchmarking with similar state entities, most states simply exclude their universities from the mandatory-use policies. According to key individuals in procurement at Tier II and Tier III IHEs, DGS has been unable to provide upgrades to eVA that sufficiently meet their needs. IHEs stated that DGS sometimes responded to the IHEs' requests, but the solutions they offered did not effectively solve their problems.

IHEs play a significant role in statewide procurement, accounting for more than 49 percent of eVA fees paid by state entities during FY2017. Therefore, input from the universities should play a key role in statewide procurement decisions. In addition to the amount IHE's pay in eVA fees, those who elected to purchase alternate procurement solutions must bear those costs as well. Increased expenses for IHEs for services they use on a limited basis are not in the best interest of the IHEs' stakeholders.

Recommendation(s):

DGS should prioritize collaborations with IHEs to ensure their needs are considered when procurement issues are discussed. Interviews conducted with IHEs revealed a disconnect between the needs of the schools and what IHEs indicated the eVA platform provides. To help bridge the gap between the two, DGS should request that schools demonstrate their systems to gain a better understanding of IHEs' specific needs.

DGS should also ensure each IHE is represented when new procurement platforms are considered. The contract for eVA expires in 2021, and DGS should make certain the new statewide procurement solution is practical for IHEs as well as other state agencies. Most IHEs in the Commonwealth use Banner. Considering the percentage of eVA revenue that comes from IHE's, seamless real-time integration with Banner should be a minimum requirement of any new procurement platform. Providing superior services to the IHEs delivers optimal efficiency and economy for the Commonwealth's citizens, and provides innovation that could propel DGS to the forefront of government procurement agencies.

Management Response(s):

Seamless real-time integration with Banner and other financial systems across the Commonwealth is an existing feature of the eVA system. Integration is accomplished by a DGS-owned tool and ongoing integration with any future tool will be part of the scope in a future procurement.

Tier II and III institutions have not spoken clearly to DGS on unmet business needs they want eVA to meet and have not communicated dissatisfaction with solutions eVA has provided to solve past problems. The stated scope and objectives of the OSIG audit did not focus on available eVA functionality, how that functionality is applied across the Commonwealth, or a functional fit-gap analysis to compare functionality between eVA and the systems used at VT and UVA. VT and UVA are the only IHEs not using eVA at the point of requisition. The SciQuest/Jaggaer platform utilized at VT and UVA only provide functionality that is directly comparable to the stand-alone eVA eMall module. UVA now has a public posting page that they are leveraging from SciQuest. IHEs using eVA at the point of requisition include GMU, JMU, ODU, Radford, VMI, Longwood, William & Mary, and Mary Washington. eVA provides a total cloud based solution leveraging a multi-jurisdictional configuration model that can accommodate unique accounting structures, business rules, and business user groups with separate default data values and approval workflow rules. Procurement functionality delivered by eVA includes electronic requisitioning and ordering, electronic receiving, unsealed/informal electronic sourcing, sealed/formal electronic sourcing, contract management, public posting of all solicitations, electronic notification to the vendor community of all solicitations, vendor registration and maintenance portal, integration/interface to ERP Systems, procurement data warehouse and retention, and analytical reporting.

IHEs were involved in defining requirements with the original RFP for eVA and had staff serve on the evaluation committee. Furthermore, in the documented example, the manual entry of accounting information is fully solutioned in the eVA eMall by using accounting defaults at the agency, division, or individual user level. DGS will reach out to the President of the Virginia Association of State College & University Purchasing Professionals (VASCUPP), requesting that VASCUPP provide DGS specific functionality and/or technical solutions not currently satisfied by eVA. DGS will work with VASCUPP, and its participating IHEs, on developing solutions if necessary.

DGS agrees IHEs participation provides optimal efficiency and economy for the Commonwealth and will continue to prioritize collaboration. Ongoing feedback from a few individual IHEs has been critical to eVA's evolution. For example, recently Radford University identified a need to attach entity specific terms and conditions on Quick Quote solicitations. DGS made the requested functional enhancement to eVA Quick Quote to allow for entity specific terms and conditions to meet Radford's need, which ultimately benefited the entire Commonwealth. This is a benefit of having an enterprise wide system.

DGS participated in the December 2018 VASCUPP quarterly meeting to discuss procurement collaboration opportunities that will benefit state agencies and IHEs in their procurement activities. DGS has requested to be an ongoing participant at the VASCUPP quarterly meetings.

Additionally DGS will work directly with the IHEs on their use of unregistered and state-entered vendors. The use of unregistered and state-entered vendors have caused many of the

IHEs to carry a fee balance that could be much lower with the use of verified self-registered eVA Vendors.

Improve the Vendor Registration Process

The following discrepancies were noted in the vendor registration and vendor support services areas:

- Internal policies and procedures have not been fully developed and written to provide a record of the methods used by DGS staff to review potential vendors that have registered in eVA.
- Minimal vetting is being performed for newly registered vendors. Potential vendors are not currently screened to ensure they are registered with the State Corporate Commission (SCC) and approved to do business in the Commonwealth.
- Vendor Support Services (VSS) currently has a documented performance metric to review and take action on vendor registration requests within 24 to 48 hours, yet VSS does not track this metric. Therefore, there is no way to gauge its timeliness.

While DGS does not have a formal policy over the vendor registration process, DGS staff are required to complete all potential vendor registrations within 24 to 48 hours. Additionally, *Code of Virginia* §12.1-12 requires all businesses operating in Virginia (except for sole proprietors) to register with the SCC.

The bulk of knowledge surrounding the review process is housed with the individuals currently working at eVA VSS. While some written information does exist, it is not complete or up to date. DGS stated it has attempted to compile and update the different written documents that would comprise the procedure for reviewing the potential vendor registrations; however, current workloads have not made it a priority. Additionally, monitoring the review timeframe and vetting potential vendors with the SCC has not been previously considered.

For non-procurement individuals, there is an expectation that a level of vetting has been performed for vendors registered in eVA. Without some level of survey being performed, the risk of unauthorized or unqualified vendors conducting business with the Commonwealth increases, along with a heightened risk for non-performance and a greater chance for fraud and error to occur.

Without formalized policies and procedures, employees run the risk of taking inconsistent approaches to registrations, leading to organizational inconsistency, inefficiency and inequity.

Recommendation(s):

DGS should compile and update the policies and procedures manual outlining the vendor registration review process and monitor the timing of vendor registrations to ensure they are performed within the prescribed timeframes. In updating the manual, DGS should not only compile the existing material, but also observe and interview existing staff to fully document processes. If there are resource restraints, DGS should consider outsourcing the writing to a temporary employee, intern or college student to minimize the impact on current productivity.

In addition, a process should be implemented to ensure all vendors are authorized to conduct business in the Commonwealth, as required by the *Code of Virginia*. In the interim, a disclaimer should be included in eVA that informs buyers an in-depth examination has not been performed over registered vendors and additional reviews may be necessary.

Management Response(s):

DGS agrees that the internal policies and procedures for eVA Vendor Support need to be finalized.

DGS does not agree that the current vendor vetting process is limited. The eVA system verifies vendors addresses, phone numbers and email via StrikeIron data quality software that checks email, address, phone, and fax numbers. The eVA Vendor Support Team also performs an IRS validation on all vendor accounts. A vendor will not be activated within the eVA system unless the StrikeIron validation and IRS validation return positive results. In the case of a failed IRS validation, a properly signed and executed Commonwealth of Virginia W-9 form can serve as verification. The IRS validation and collection of the Commonwealth of Virginia W-9 form are the same vetting procedures used by the enterprise wide Cardinal Financial System.

eVA is provided as a tool to conduct procurements, however, verifying and establishing relationships with businesses should continue to be the responsibility of procurement professionals. DGS supports agencies in meeting their code requirement by requiring a specific General Term and Condition in all solicitations and by reference on all eVA purchase orders.

Improve Transparency of eVA Fee Amounts

The DGS-published, eVA fee schedule does not detail all factors used to calculate assessed fees. OSIG performed a re-calculation of the fees using data obtained directly from eVA and the published fee schedule, which resulted in a material difference from DGS' calculations for FY2017 fee amounts. OSIG also traced fee payments made by state entities to the Cardinal accounting system, but was unable to tie those amounts back to the fees assessed by DGS. This difference will be explored further during a future OSIG audit.

Item 79.C of the FY2016-2018 Biennium Appropriation Act states, “The Commonwealth's statewide electronic procurement system and program known as eVA will be financed by fees assessed to state agencies and institutions of higher education and vendors.” Additionally, the Agency Procurement and Surplus Property Manual (APSPM) along with internal DGS policies promote the promise of transparency in procurement across the Commonwealth.

DGS has stated the published fee schedule serves as a baseline for the way in which DGS assesses its fees. However, other factors and exceptions are factored in by the eVA business office in its assessment of fees. For example, as part of the contract negotiation process, certain vendors either do not pay fees, have a modified fee assessment or self-report their fees. These special situations make it extremely difficult for auditors or those charged with oversight to calculate the annual fee totals and assess accuracy based on transactional data obtained directly from the eVA system and the published fee schedule.

It is imperative that all governmental transactions have complete transparency. Not being completely transparent with potential vendors as well as the average citizen invites the possibility for fraud to occur and public trust in government to erode. Additionally, if the fee payments cannot be re-calculated by an oversight body using the fee schedule provided, fees could be charged inaccurately, causing DGS to earn too little revenue or agencies to be overcharged.

Recommendation(s):

DGS should publish a more thorough fee schedule to include not only the standard fee amounts, but all other factors that affect the application of those fees. If this is not feasible, DGS should include a disclaimer on the fee schedule that states additional factors may be involved in the assessment of eVA fees. For the sake of transparency, it is important that fee amounts and any exceptions to those amounts are made available to the public directly and not solely contained in contract language.

Management Response(s)

Although DGS agrees that the published eVA fee schedule does not detail all factors utilized in calculating assessed fees, it achieves its purpose to communicate clearly and concisely to agencies and vendors what they should expect to be charged. This was the result of APA's recommendation to publish a simpler eVA fee schedule.

If fees were charged inaccurately, it would be because of a programmatic error in the billing process. This was not part of OSIG's audit. APA found the process by which fees are

DGS agrees that all governmental transactions should have complete transparency and we believe we are completely transparent. When new fees are invoiced, the eVA invoice shows the purchasing entity that issued the PO, the date the PO was issued, the vendor the PO was issued to, the PO amount, and the fee that was calculated off the PO. The eVA invoice gives agencies and vendors the ability to dispute a fee at any time. By engaging DGS, we refer them to the fee schedule (publically posted), the vendor MOA (publically posted), the exemptions listed in the APSPM (publically posted). Sometimes the eVA fees may have been the result of a buyer error and DGS works with agencies to correct this error. Corrected PO errors result in the PO data in eVA being accurate and an adjustment of the eVA fee that is processed automatically by the eVA Billing System. However sometimes agencies do not issue a change order. OSIG's recalculation does not account for this. If a vendor disputes the PO amount, whether the PO is subject to fees, or even whether they provided the good or service, if the agency cannot process a change order, DGS processes a manual adjustment to the account to compensate for the buyer's data entry error. Disputes and manual adjustments are documented in the IssueTrak system and manual adjustments include the IssueTrak ticket number in the description within the eVA billing application for transparency purposes. To address fraud concerns, manual adjustments go through management review, which is also documented in the IssueTrak ticket. Refunds go through management review as well as DGS Fiscal approvals. DGS, like other agencies, have the discretion to grant case-by-case exceptions. An all-encompassing fee schedule is not practical. It would also limit DGS flexibility, which is not in the interest of the eVA program or Commonwealth.

The example given states that certain vendors, as the result of contract negotiation, may not pay fees. Vendors may provide a good or service that is exempt from eVA fees (see APSPM 14.9b. and 14.9.c). Some vendors self-report their fees because it is in the interest of the Commonwealth for them to do so. Examples: UPS self-reports their fees to provide an administrative efficiency to agencies and agencies are exempt from fees when purchasing off the UPS contract; fuel vendors self-report their fees because the actual amount of fuel dispensed cannot be accurately predicted at the point of requisition, so to avoid over or undercharging fuel vendors, vendors self-report. Prices of basic energy (natural gas, electricity, heating oil, and gasoline) are generally more volatile than prices of other commodities; therefore, during contract negotiations a 0.5% discount was considered and agreed to.

Establish More Defined and Distinct Performance Measures

Established performance measures for eVA do not allow DGS to sufficiently monitor the success of the program's operations. The current measures do not provide data for tracking:

- The number of vendors enrolled to do business with the Commonwealth;
- Whether users receive information on updates and changes consistently and reliably;

- The responsiveness of the core team to user needs;
- The number of vendors contacted and registered by Marketing and Outreach; and
- The level of customer satisfaction and the effectiveness of communications between account executives and end users.

Code of Virginia §2.2-1110, under which eVA was mandated, does not require DGS to establish goals for the program, nor does it define how DGS should measure progress toward these goals. The current performance measures were created over time based on utilization and performance of the program since its inception. While these have created a baseline for gauging the program, DGS staff have communicated a lack of established metrics in the areas of Marketing and Outreach, Policy, Consulting and Review and eVA Core Team.

The absence of well-defined performance measures creates an image that the program is geared toward compliance rather than performance excellence and innovation. By not focusing on the performance aspects of the program, there is an increased risk for loss of opportunities to improve efficiency and effectiveness.

Recommendation(s):

DGS should consider adding the following criteria to its performance monitoring activities:

Marketing & Outreach

1. Review the eVA marketing plan for additional opportunities to reach the vendor community that supports eVA business goals.
2. Document the number of new vendors registered and set goals to exceed prior periods.
3. Track and set goals to ensure each type of entity is represented during eVA User Groups meetings.

Policy, Consulting and Review

1. Ensure account executives notify each user whose account is assigned to them via email any time there is an upgrade to the system that is relevant to their organization, and create a system to verify users have received those notifications. Then, work toward a goal of notifying 100 percent of users.
2. Provide an annual or biannual survey for users to ensure services provided by bureaus within DPS correspond with the agency strategic plan.

eVA Core Team

1. Measure length of time to complete key functions on the eVA website and set goals to decrease transaction time. These key functions include running reports, coding requirements, delays in review by Shared Services Centers and approval of purchases,

as well as time to process payments, download selected supplier catalogs and search for vendors.

2. Enhance the system currently used to search for SWaM vendors.

Management Response(s):

DGS is a service driven agency that delivers eVA as a solution to provide efficiency and innovation for procurement across the Commonwealth. While compliance is certainly one of many factors in the operation of procurement and eProcurement solutions DGS does not agree that the eVA Program is geared toward compliance. Compliance is one of many concerns that drive the evolution of the eVA Program along with efficiency, savings, and innovation.

OSIG is correct that the Code of Virginia does not define performance metrics for the eVA program. However, the eVA program has defined performance metrics that are gathered and reviewed daily, weekly, quarterly, annually or as needed. Recently the eVA Program received a Governor’s Technology award at the 2018 COVITS Conference for Innovative Use of Big Data Analytics for an annual performance metric for cost savings created through competition within the eVA Quick Quote sourcing module. That annual performance metric, along with metrics on eVA Customer Care incoming and closed tickets, number of vendors registered to do business with the Commonwealth, and outreach events were provided to OSIG. Policy, Consulting, and Review metrics were not requested by OSIG during this audit.

DGS does track the number of recruiting engagements that occur each fiscal year and has consistently attended over 50 events each year for the last three fiscal years in 55 counties across Virginia. The numbers do not include events other entities host and provide eVA information or training to vendors they directly do business with. DGS will continue to review the eVA marketing plan for additional opportunities to reach the vendor community that support the eVA business goals.

DGS closely tracks and is aware of the number of vendors enrolled to do business with the Commonwealth through eVA. DGS reported in the eVA Fiscal Year Summary, provided to DGS management and OSIG, 148,036 active vendors registered in eVA. Of those, 16,390 vendors became active and registered in eVA in Fiscal Year 2018. That works out to 1,366 new registrations on average per month or roughly 315 per week. The count of active registered vendors can be obtained on demand from the eVA Data Warehouse. When eVA first launched, recruiting businesses to register was imperative for eVA’s success. Over the years, recruitment was no longer a primary focus for the eVA program. Instead, resources are better used by collaborating with Chambers of Commerce, economic development partners, professional organizations, the Department of Small Business and Supplier Diversity, and state, higher ed, and local governments to inform their vendor contacts on how to leverage eVA to do business with Virginia.

DGS recently began leveraging ConstantContact messaging software which aids in custom outreach lists and can track when messages are received, opened, and click through rate.

Additionally, the AdobeConnect web conferencing software used to conduct the user groups maintains information on attendees of each User Group. DGS will consider tracking and settings goals that each entity is represented during eVA User Groups.

The Policy, Consulting, and Review team notifies procurement directors, leads and management level staff at the agencies/entities they support with information relevant to their organizations. Many agencies/entities have specifically requested that user wide messages not be delivered directly from DGS to their staff. Account Executives work directly with procurement manager/lead to identify appropriate communication channels. The leadership at the various agencies/entities prefers to receive the message and handle the distribution on their own. Toward that end, DGS has begun to explore and utilize Constant Contact messaging software and will consider leveraging ConstantContact to track and set a goal of notifying a contact at each entity we support.

DGS will consider an annual and/or biannual user survey to ensure services provided by bureaus within DGS correspond with the agency strategic plan.

DGS will work to schedule an upgrade to the Logi Analytics reporting tool. This upgrade will introduce several efficiency improvements and will be implemented before the end of calendar year 2020. An existing solution to run reports that require unusually long processing time is to schedule the report and allow the system to run and compile the report data off line. Users are automatically notified via email when the report results are complete and very often report results can be delivered directly to the user via email. Due to efficiency improvements achieved in 2018 most reports with data ranging 12 months or less can be run online with minimal wait time for the end user.

Through the Policy, Consulting and Review group DGS staff have been working diligently and directly with the VCCS Shared Service Center to improve business processes with a specific focus on order approvals. Policy, Consulting and Review and eVA Core Team staff work directly with agencies/entities on gathering functional (coding) requirements to address end user needs. Any enhancements to the eVA Program as a result of those needs are road mapped and prioritized for implementation weighing administrative, legislative, and agency/entity input. eVA is an electronic procurement module and has no functionality nor responsibility to process payments.

During the October 2018 Public Procurement Forum DGS was made aware via meeting and discussion with eVA Users during conference sessions of the concern and request for improvement of the vendor search process. Solutions for improving the vendor search process were presented to DGS in December 2018 and will be shared and discussed with the eVA User Community in early spring 2019 with a tentative production release date of June 2019.

AUDIT RESULTS

This report presents the results of OSIG's audit of the eVA eProcurement Bureau. The following audit testing was performed with less significant or no discrepancies noted:

- Using information provided from interviews and walkthroughs, OSIG found that:
 - DPS is utilizing multiple avenues to update users on changes and upgrades to eVA.
 - The vendor outreach, customer care, user update and billing processes as outlined are being followed.
- Using information obtained from eVA user surveys, OSIG found that:
 - eVA provides reliable service, free from significant downtime and major system failures.
 - Usability of the eVA website is fair in addressing the needs of users.
 - Users are provided with adequate information or training when there are updates or changes to the system.
 - Customer care provides timely and effective solutions to issues encountered.
- DGS has similar procurement practices as other states. No significant best practices or potential improvements were noted related to the system.
- In most instances, eVA fee payments are being received and recorded in **CARDINAL** accurately.

Based on the results and findings of the audit test work conducted of the eVA eProcurement Bureau, OSIG concluded that internal controls were operating properly except as identified in the report findings.

APPENDIX I – MANAGEMENT CORRECTIVE ACTION PLAN

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
1	<p>DGS should prioritize collaborations with IHEs to ensure their needs are considered when procurement issues are discussed. Interviews conducted with IHEs revealed a disconnect between the needs of the schools and what IHEs indicated the eVA platform provides. To help bridge the gap between the two, DGS should request that schools demonstrate their systems to gain a better understanding of IHEs’ specific needs.</p> <p>DGS should also ensure each IHE is represented when new procurement platforms are considered. The contract for eVA expires in 2021, and DGS should make certain the new statewide procurement solution is practical for IHEs as well as other state agencies. Most IHEs in the Commonwealth use Banner. Considering the percentage of eVA revenue that comes from IHE’s, seamless real-time integration with Banner should be a minimum requirement of any new procurement platform. Providing superior services to the IHEs delivers optimal efficiency and economy for the Commonwealth’s citizens, and provides innovation that could propel DGS to the forefront of government procurement agencies</p>	<p>DGS will reach out to the President, Virginia Association of State College & University Purchasing Professionals (VASCUPP), requesting that VASCUPP provide DGS specific functionality and/or technical solutions not currently satisfied by eVA. DGS will the work with VASCUPP, and its participating IHEs, on developing solutions if necessary</p> <p>DGS has invited IHE representatives to participate on the procurement team for the planned solicitation and procurement of the eVA contract, effective July 1st, 2021. Integration and Interface to legacy ERP systems, including Banner, is a key requirement in both the current configuration and for the upcoming procurement.</p> <p>Additionally DGS will work directly with the IHEs on their use of unregistered and state-entered vendors. The use of unregistered and state-entered vendors have caused many of the IHEs to carry a fee balance that could be much lower with the use of verified self-registered eVA and Cardinal Vendors.</p>	<p>DGS participated in the December 2018 VASCUPP quarterly meeting to discuss procurement collaboration opportunities that will benefit state agencies and IHEs in their procurement activities. DGS has requested to be an ongoing participant at the VASCUPP quarterly meetings and will also join in the June 2019 meeting.</p> <p>DGS has invited IHE representatives to participate on the procurement team for the upcoming solicitation and procurement of the eVA Contract that will be effective July 1st, 2021. Integration and Interface to legacy ERP systems, including Banner, is a key requirement in both the current configuration and for the upcoming procurement.</p>	Ongoing	DPS Director

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2	<p>DGS should compile and update the policies and procedures manual outlining the vendor registration review process and monitor the timing of vendor registrations to ensure they are performed within the prescribed timeframes. In updating the manual, DGS should not only compile the existing material, but also observe and interview existing staff to fully document processes. If there are resource restraints, DGS should consider outsourcing the writing to a temporary employee, intern or college student to minimize the impact on current productivity.</p> <p>In addition, a process should be implemented to ensure all vendors are authorized to conduct business in the Commonwealth, as required by the Code of Virginia. In the interim, a disclaimer should be included in eVA that informs buyers an in-depth examination has not been performed over registered vendors and additional reviews may be necessary</p>	<p>DGS will work to finalize the eVA Vendor Support policies and procedures manual.</p> <p>DGS does not agree with the recommendation to add a process for further vendor authorization or vetting as detailed in the DGS Management Response to the OSIG Audit Report.</p>	eVA Vendor Support Policy and Procedures Manual	9/1/2019	eVA Director

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3	DGS should publish a more thorough fee schedule to include not only the standard fee amounts, but all other factors that affect the application of those fees. If this is not feasible, DGS should include a disclaimer on the fee schedule that states additional factors may be involved in the assessment of eVA fees. For the sake of transparency, it is important that fee amounts and any exceptions to those amounts are made available to the public directly and not solely contained in contract language.	DGS will add a disclaimer to the published fee schedule.	Add a disclaimer to the eVA fee schedule published via the eVA Home Page Billing Portal.	7/1/2019	eVA Business Manager eVA Director

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4	<p>DGS should consider adding the following criteria to its performance monitoring activities:</p> <p>Marketing & Outreach</p> <p>1A) Review the eVA marketing plan for additional opportunities to reach the vendor community that supports eVA business goals.</p> <p>2A) Document the number of new vendors registered and set goals to exceed prior periods.</p> <p>3A) Track and set goals to ensure each type of entity is represented during eVA User Groups meetings.</p> <p>Policy, Consulting and Review</p> <p>1B) Ensure account executives notify each user whose account is assigned to them via email any time there is an upgrade to the system that is relevant to their organization, and create a system to verify users have received those notifications. Then, work toward a goal of notifying 100 percent of users.</p> <p>2B) Provide an annual or biannual survey for users to ensure services provided by bureaus within DGS correspond with the agency strategic plan.</p> <p><u>eVA Core Team</u></p>	<p>1A) DGS does not agree with this recommendation as detailed in the DGS Management Response to the OSIG Audit Report.</p> <p>2A) DGS does not agree with this recommendation as detailed in the DGS Management Response to the OSIG Audit Report. DGS has an existing process in place to document and track newly registered eVA Vendors.</p> <p>3a) DGS will consider tracking and setting goals that each type of entity is represented during user group meetings through the use of ConstantContact and AdobeConnect.</p> <p>1B) DGS will consider leveraging ConstantContact to track and set a goal of notifying a contact at each entity we support.</p> <p>2B) DPS, a division of the Department of General Services (DGS), will issue a user survey to ensure services provided by DPS bureaus correspond with agency/entity strategic plans.</p> <p>1C) Upgrade of the Logi Analytics Reporting Tool in eVA</p> <p>2C) Enhancement of the Vendor Search functionality in eVA</p>	<p>1A) Not applicable</p> <p>2A) Not applicable</p> <p>3A) Not applicable</p> <p>1B) Not applicable</p> <p>2B) DPS User Survey and Results</p> <p>1C) Complete Logi Analytics upgrade</p> <p>2C) Complete eVA vendor search enhancement</p>	<p>1A) Not applicable</p> <p>2A) Not applicable</p> <p>3A) Not applicable</p> <p>1B) Not applicable</p> <p>2B) 1/1/2020</p> <p>1C) 6/30/2021</p> <p>2C) 7/1/2019</p>	<p>eVA Director</p> <p>DPS Director</p>

<p>1C) Measure length of time to complete key functions on the eVA website and set goals to decrease transaction time. These key functions include running reports, coding requirements, delays in review by Shared Services Centers and approval of purchases, as well as time to process payments, download selected supplier catalogs and search for vendors.</p> <p>2C) Enhance the system currently used to search for SWaM vendors.</p>				
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