

STATE OF WEST VIRGINIA
PRELIMINARY PERFORMANCE REVIEW OF THE
WEST VIRGINIA STATE POLICE

Bureau of Criminal Investigation
Misused Federal Funds

Academy PX Lacks
Statutory Authority

OFFICE OF LEGISLATIVE AUDITOR
Performance Evaluation and Research Division
Building 1, Room W-314
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MAY 2000

PE00-06-164

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Antonio E. Jones, Ph.D.
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May 12, 2000

The Honorable Edwin J. Bowman
State Senate
129 West Circle Drive
Weirton, West Virginia 26062

The Honorable Vicki Douglas
House of Delegates
Building 1, Room E-213
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0470

Dear Chairs:

Pursuant to the West Virginia Sunset Law, we are transmitting a Preliminary Performance Review of the *Department of Public Safety - West Virginia State Police*, which will be presented to the Joint Committee on Government Operations on Friday, May 12, 2000. The issues covered herein are "Bureau of Criminal Investigation Misused Federal Funds and Academy PX Lacks Statutory Authority."

We conducted an exit conference with the *West Virginia State Police* on April 24, 2000. We received the agency response on May 3, 2000.

Let me know if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Antonio E. Jones".

Antonio E. Jones

AEJ/wsc

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Issue Area 1: The Bureau of Criminal Investigation (BCI) Misused Federal Funds which were Set Aside for Cash Purchases of Illegal Contraband by Deducting Contributions Used for Payments to a Voluntary Retirement Plan and for Other Personal Uses.

The Bureau of Criminal Investigation is granted federally-funded monies jointly by the U.S. Department of Justice (DOJ) and the U.S. Department of the Treasury (DOT). These monies are to be utilized according to the criteria set forth in the manuals distributed by each department: *A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies* (DOJ) and *Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies* (DOT).

Prior to April 1, 2000, these federal funds were distributed to each of the four (4) regional BCI Offices in the form of a check and then deposited into the separate checking accounts maintained by each respective region. Each BCI region then wrote a check for cash as needed to maintain an on-hand cash box (much like a Petty Cash box) for the purpose of providing “BUY MONEY.” This cash was taken out as needed by each officer and reported on a running ledger which accounts for all transactions. It was also possible for each officer to deposit cash back into the cash box. Once the cash on-hand became insufficient to provide the required money, another check was written from the checking account and cashed in order to provide additional funds.

MISUSE OF FUNDS

During the Legislative Auditor’s Office review of the State Police’s Pledge and Contribution Funds (see Legislative Auditor’s April 2000 report), the Legislative Auditor’s Office discovered that BCI officers were having cash deducted on their behalf for reasons other than the purpose specifically prescribed for this funding. At BCI’s Fairmont and Martinsburg detachments, officers who contributed to the voluntary retirement Pledge Fund and the voluntary death benefit Contribution Fund have had their contributions taken out of BCI’s cash box and added to their outstanding balance for that month. Furthermore, amounts for specific causes have been taken out of the undercover cash boxes for numerous officers for miscellaneous gifts and flowers. Even though the cash may be eventually repaid, it is not the purpose for these federal funds to be used as an auxiliary fund for personal contributions.

One State Police employee informed the Legislative Auditor’s Office that:

For several years, money from the BCI. has been used to pay the State Police Contribution Fund, Pledge Fund, and other office related funds, including purchase of flowers related to deaths or hospitalizations in officers’ families. . . This practice was started due to the availability of the officers, when collecting money for these expenditures. I am not sure when this practice began, but know it to have been done for several years. . . Although I am now advised that this practice is not acceptable, it did happen on several occasions, I would point out that on each occasion, it was recorded and logged accordingly. . . In closing, the situation with these fund withdrawals did happen. The money was accounted for and is still reflected in our accounting. Further, this practice will cease on the date of this memorandum (March 24, 2000).

The Legislative Auditor's Office attempted to reconcile BCI's cash fund ledgers, from 1994 to October 1999, to determine if the inappropriate expenditures were reimbursed by BCI's officers. **It is the opinion of the Legislative Auditor's Office that when BCI officers settled up their accounts in October 1999 all expenditures for contributions to the Pledge and Contribution Funds and for gifts were repaid.**¹

SPECIFIC CRITERIA FOR FUNDING USAGE

Since these federal funds are distributed jointly by two separate federal departments, each department has a separate guide for usage with specific criteria which must be met in order to receive these funds and/or any additional funds. As was previously mentioned, the Department of Justice publishes *A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies*, which states in Section X, A, 2, f, that "any use that creates the appearance that shared funds are being used for political or **personal** purposes is not permitted." This publication also states in Section X, A, 2, g, that "receiving agencies should use federal sharing monies **prudently** and in such a manner as to **avoid any appearance of extravagance, waste, or impropriety.**"

The Department of the Treasury's publication, *Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies*, mirrors the criteria for usage set forth by the DOJ by stating in Section X, B, 2, f, that "federal agencies should use federal sharing monies prudently and in such a manner as to avoid any appearance of extravagance, waste, or impropriety. The payment of personal credit cards, the purchase of meals..., **alcoholic beverages** and other such expenditures are impermissible." Additionally, Section X, B, 2, d, states that "shared funds may not be used for any purpose that would constitute an improper use of state or local law enforcement funds under the laws, rules, regulations, and orders of the state...of which the agency is a part.."

NEW BCI PROCEDURES SHOULD REDUCE THE RISK OF FUTURE MISALLOCATIONS

On April 1, 2000, the State Police instituted a new policies and procedures manual covering the handling of BCI's cash funds. These procedures, if properly implemented and enforced, should significantly reduce the risk of future misallocations. BCI officers are no longer able to indefinitely hold cash balances and balances must be reasonable. (Previously, a few officers carried average monthly balances of over \$1,000 during the mid 1990s.) In addition, the State Police's new policies and procedures require random cash counts of officers outstanding balances. The State Police has also eliminated the local bank accounts that BCI regional offices previously had. There is now

¹However, the Legislative Auditor's Office also found that in a single instance on March 15, 1995 beer was purchased for a regional coordinators meeting with federal funds for a regional coordinators meeting. The expenditure was turned in on a voucher and the money was allowed by the supervisor. In a letter dated May 4, 2000, the state police stated that the funds for the purchase of beer would be reimbursed to the appropriate federal funding source (see Appendix F).

onlyone statewide checking account for BCI's cash funds.

CONCLUSION

The absence of internal controls for cash used in undercover police operations allowed the some State Police employees to misuse cash provided by the federal government. However, the State Police has stated they ended the practice of using BCI cash boxes to purchase gifts and make donations to State Police employees retirement and death benefit funds. In addition, new internal control policies and procedures, if properly implemented and enforced, should significantly reduce the risk of any future misallocations of BCI's cash funds.

Recommendation 1:

The Legislature should consider a compliance follow-up review BCI's accounts by placing the State Police BCI unit under the compliance section of the sunset law §4-10-5a.

Issue Area 2: The State Police Academy PX Is an Unauthorized Revenue Source, Has Been Used for Private Gain by Public Officials, and Has Failed to Collect and Remit Over \$23,000 in Sales Tax Due the State.

UNAUTHORIZED STATE ACTIVITY

The West Virginia State Police Training Academy has operated a post exchange (PX) that sells State Police insignia products and personal products to cadets, in service troopers and the public for over 30 years. However, during the course of this audit, the State Police Superintendent temporarily closed the PX effective March 29, 2000.

West Virginia Code Chapter 15, Article 2, Section 3 states in part:

The Superintendent shall provide adequate facilities for the training of all members of the State Police and shall prescribe basic training requirements for newly enlisted members.

The Legislative Auditor was unable to find authorization for the collection of revenues from the sale of products beyond necessity items for the cadets. In comparison, the Legislature has legally established the state's college bookstores (see §18B-10-14 of the West Virginia Code) and a PX at Camp Dawson in Preston County (see §15-1H-1 of the West Virginia Code). *West Virginia Code Chapter 18B, Article 10, Section 14* states in part:

The appropriate governing board of each state institution of higher education shall have the authority to establish and operate a bookstore at the institution.

In legally establishing these endeavors, the Legislature also specified how profits from these activities could be spent. For example, *West Virginia Code Chapter 15, Article 1H, Section 4* states:

All proceeds derived from the operation of the morale, welfare and recreation facilities on Camp Dawson shall, after the payment of operating expenses, notwithstanding any provision of this code to the contrary, be used exclusively for the improvement of Camp Dawson. (Emphasis added.)

STATE POLICE ACADEMY PX HAS SOLD APPROXIMATELY \$380,000 WORTH OF ITEMS OVER THE PAST 10 YEARS

The PX has generated thousands of dollars per year on State property by State employees without authorization from the Legislature. Table 1 below shows the deposits made to the PX/Vending Account for the past 10 fiscal years. PX records show that from July 1, 1990 through February 29, 2000, \$383,118 was deposited in the PX's bank account. This amount has ranged from a low of \$16,626 in FY1991 to a high of \$63,370 in FY1995.

Table 1			
Deposits Made to PX/Vending Account			
Fiscal Year	Coin	Cash/Check	Total
2000 (as of 02/00)	\$1,705	\$29,852	\$31,557
1999	3,683	49,478	53,161
1998	3,228	34,857	38,085
1997	2,633	39,848	42,481
1996	2,580	49,254	51,834
1995	6,585	56,785	63,370
1994	4,634	28,510	33,144
1993	4,793	30,149	34,942
1992	4,441	13,477	17,918
1991	2,590	14,036	16,626
Total	\$36,872	\$346,246	\$383,118

FAILURE TO REMIT REVENUE TO STATE TREASURER

The State Police may have violated *WV Code Chapter 12, Article 2, Section 2(a)* since this revenue was not deposited with the State Treasurer. The *Code Section* states:

All officials and employees of the State authorized by statute to accept moneys due the State of West Virginia shall keep a daily itemized record of money so received for deposit in the State Treasury and shall deposit within twenty-four hours with the State Treasurer all moneys received or collected by them for or on behalf of the State for any purpose whatsoever.

The revenue from the State Police Academy PX was administered by a state employees on state property. Directors of the Academy have used the State Police's Tax Identification Number (TIN), 55-6000772, to register the account as a lodge, association or other similar organization with the bank. The State Police's TIN was also used on an IRS form W-9 for purposes of identifying the recipient of any income derived from the account. In the event the PX were to be sued, or if embezzlement were to occur by a State employee, the State could be held liable.

PRIVATE GAIN FROM PUBLIC OFFICE

The review of disbursements from the PX/Vending Machines account revealed money was used for private gain. Over 20 years worth of disbursements were reviewed by the Legislative Auditor's Office. During this period there were numerous transactions that were not in the interest of the State Police or the Training Academy. These include:

- The State Police used at least \$ 6,465 to purchase Christmas gift certificates for employees. (Last three years)
- A check for \$400 was given to an employee as a loan. (1984)
- A check was written for \$883 to the individual who also signed the check with no explanation or supporting documentation as to why the check was written. (1992)
- Two checks were written to a high school athletic boosters organization totaling \$1,140. (1984)
- Six parking tickets in the amount of \$38 were paid to the City of Charleston (latest 1/28/00).

Appendix A details all disbursements which the Legislative Auditor's Office found to be questionable.

EQUIPMENT AND TRAINING COURSES PURCHASES

The Px fund did provide funding for purchases of equipment and training courses used at the academy that otherwise would have been purchased with state funding. Purchases of \$10,562 during the past 3 years provided the academy with a new over head projector with writing tablet and a cart. Televisions and VCRs used in training courses were also purchased. Repairs to equipment were made in 1999. The fund does provide a funding source for the repairs and alterations and equipment.

FLOATING OF CHECKS CASHED AT THE ACADEMY

The practice of cashing and holding personal checks for deposit into the Px account for uniform and civilian employees was a common practice. There were also numerous checks being deposited into the account by the employee who kept the books for the PX. This employee routinely deposited personal checks into the account. The employee was responsible for making PX deposits and therefore was in control as to when her checks clear her account. In such an environment, there is a risk for the **"floating" of checks**. It was noted that when this employee was relieved of her duties involving the PX, her checks stopped showing up on deposit slips. **From July 1994 through August 1999, this State Police employee appears to have cashed over \$11,000 in personal checks using the State Police Academy PX account.**

The secretary responsible for the fund stated in a letter, "This is to certify that on

occasion checks were held for a short period of time until State employees received their pay checks for purchases made in the PX at the State Police Academy." Appendix B shows the number and amount of checks by the employee, her business or relatives, that were deposited into this account.

COST TO THE STATE OF OPERATION

The PX was open approximately 15-20 minutes per day and, prior to its temporary closure, was staffed by two cadets. There is also an administrative employee that placed orders, wrote checks, handled the bank reconciliations and deposits. The administrative employee averaged four hours per week to handle her duties involving the PX. Financially this costs the state approximately \$3,364 per year from the employee's involvement. This figure is based on the salary of the individual with State benefits prorated to the 10% of time spent per week on the PX account. This amount does not include the salary of the cadets which are charged with staffing the PX everyday.

STATE POLICE PX FAILED TO COLLECT AND REMIT APPROXIMATELY \$23,000 IN CONSUMER SALES TAX TO THE WV TAX DEPARTMENT DURING THE PAST 10 YEARS

The State Police has never collected and remitted consumer sales tax for revenues generated by the Px operations. This is in violation of *Chapter 11, Article 15, Section 3(a) of the West Virginia Code*. This Code Section requires the sale of or rendering of services to be taxed at a rate of 6%. It states:

For the privilege of selling tangible personal property and of dispensing certain selected services defined in sections two and eight of this article, the vendor shall collect from the purchaser the tax as provided under this article, and shall pay the amount of tax to the tax commissioner in accordance with the provisions of this article.

Further, Section 3(b) of this article states:

Beginning on the first day of March, one thousand nine hundred eighty nine, the general consumer sales and service tax imposed by this article shall be at the rate of six cents on the dollar of sales or services, excluding gasoline and special fuel sales, which remain taxable at the rate of five cents on the dollar of sales.

Based on the deposits made over the past 10 fiscal years, the State Police failed collect and remit approximately \$22,987² of PX and vending machine revenue for consumer sales tax. The State Police could be liable for this amount per *Chapter 11, Article 15, Section 4a of the WV Code* which states, "If any vendor fails to collect the tax imposed by section three of this article, he shall be personally liable for such amount as he failed to collect."

² Sales tax calculated @ 6% on sales of \$383,118.

CONCLUSION

Based on the information reviewed, the Legislative Auditor does not believe the State Police has the authority to collect such revenues from a PX. The lack of authority has also resulted in a lack of guidelines as to how these revenues should be disbursed and the failure to collect and remit sales tax due the state. Although the majority of revenues were invested in products for resale, the profit is substantial enough to warrant oversight.

Recommendation 2:

The Legislature should consider amending the Code to authorize the Px operation and specify the use of revenue derived from its operation.

Recommendation 3:

In the event the Legislature chooses not to authorize the PX fund by Law, the State Police should either close the PX or allow the PX to only sell items of necessity to cadets at cost.

Recommendation 4:

If the Legislature authorizes the PX fund as a state activity, the State Police should begin collecting sales tax on all non-exempt items sold.

Recommendation 5:

If the Legislature authorizes the PX fund as a state activity, the State Police should develop policies and procedures for the operation of the PX. Such policies and procedures should detail the frequency of internal audits and cash accounts of the PX.

Recommendation 6:

With the remaining balance in the Px fund, The State Police should remit to the Tax and Revenue Department the appropriate amount of sales tax owed to the State.

APPENDIX A
Questionable Expenditures

<u>Check #</u>	<u>Amount</u>	<u>Date</u>	<u>Payee</u>	<u>Purpose</u>
1278	<u>37.95</u>	08/09/88	Capitol Cablevision	Acct. #806261-01
2359	1,250.00	12/07/99	Charleston Town Center	Christmas Party
2282	1,250.00	12/14/98	Town Center	Christmas Party
2208	1,100.00	12/16/97	Charleston Town Center	Christmas Party
2056	440.00	12/11/95	Bob Evans	22 Gift Cert.
1940	559.32	12/10/94	Holiday Inn Heart of Town	Christmas Party
1933	169.89	11/17/94	Figis Inc.	Christmas 1994
1827	810.00	12/16/93	WV Belle	Christmas Party
1820	150.00	11/09/93	WV Belle	Christmas Party
1529	74.60	12/04/90	Ames	Christmas
1431	185.25	12/16/89	SOS	Christmas Staff
1429	100.00	12/11/89	Kaufmans	Christmas
1073	75.76	12/11/86	Standard Food Serv.	Xmas
900	68.23	07/02/85	Individual	Avon Xmas
669	32.00	12/05/83	DPS Christmas Dance	Christmas Dance
cash	<u>200.00</u>	12/09/98	HQ Christmas Party	Christmas Party
	<u>6,465.05</u>			
1886	156.95	06/01/94	Division of Public Safety	Personal Calls
1731	883.46	11/16/92	Individual	nothing noted
1226	57.60	02/02/88	MBNA Payment Serv.	2 Account #'s for credit cards
920	<u>105.00</u>	09/26/85	Individual	MU Football Tickets
	<u>1,203.01</u>			
2339	826.50	09/03/99	WV Troopers Ass.	1/2 of Dept. Picnic
2314	200.00	05/25/99	Individual	Yrbk. Comm. Lunch
2148	577.84	01/03/97	Joeys	Cater event
1741	177.60	12/23/92	Ginos	Nothing Noted
1727	105.27	10/31/92	Wellington's	nothing noted
1255	306.44	05/22/88	Mountaineer Dinner Theatre	nothing noted
1253	115.74	05/12/88	Mountaineer Dinner Theatre	05/22 Reserv. For (24)
1171	392.24	07/18/87	Mountaineer Dinner Theatre	26 people
1162	225.00	07/18/87	Mountaineer Dinner Theatre	Deposit for 07/18/97
1153	125.00	05/19/87	Individual	2nd Annual Pig Roast
1003	60.00	05/30/86	Cash	12 fam. to picnic
918	25.00	09/19/85	Individual	HQ Picnic 5 members
784	113.61	09/08/84	Jimmy Columbias Rest.	Meals for Ride
715	325.88	03/10/84	Mountaineer Dinner Theatre	Staff And Secretaries
686	148.12	01/17/84	Mountaineer Dinner Theatre	nothing noted
362	<u>51.00</u>	09/21/81	Beckley Exhibition Mine	Tour 9/17/81
	<u>3,775.24</u>			
1311	140.88	11/29/88	Sams Wholesale Club	nothing noted
cash	<u>26.25</u>	04/30/88	Sams Wholesale	Sams Membership
	<u>167.13</u>			
739	490.00	04/21/84	Big Black Backers	Pop
947	<u>650.00</u>	12/04/84	Big Black Backers	nothing noted
	<u>1,140.00</u>			
744	145.78	05/03/84	Youngs Cycle Inc.	written by GR Young
735	70.30	03/16/84	Young Cycle Inc.	written by GR Young
704	<u>18.75</u>	02/23/84	Young Cycles Inc.	written by GR Young
	<u>234.83</u>			

<u>Check #</u>	<u>Amount</u>	<u>Date</u>	<u>Payee</u>	<u>Purpose</u>
1785	510.00	05/24/93	Individual	30 Watches
1243	300.00	03/25/88	Individual	nothing noted
1179	345.00	08/13/87	Individual	nothing noted
850	100.00	03/18/85	Individual	nothing noted
836	150.00	02/14/85	Individual	nothing noted
803	400.00	10/15/84	Individual	Memo-Loan
792	100.00	09/26/84	Individual	nothing noted
489	45.00	09/15/82	Individual	nothing noted
	<u>1,950.00</u>			
2375	5.00	01/28/00	City of Charleston	Parking Ticket
1167	3.00	07/08/87	City of Charleston	Notice # 802612
1130	8.00	04/09/87	Charleston Traffic Dept.	Parking Tickets
895	10.00	06/28/85	City of Charleston	2 Parking Tickets
855	10.00	04/04/85	City of Charleston	Parking Ticket
156	2.00	06/12/79	Traffic Clerk	Notice 603752
	<u>38.00</u>			
1297	80.00	10/11/88	Cash	Col. Miller (DPS Pledge Fund)
1016	50.00	06/27/86	Cash	Don Duppee
768	300.00	08/01/84	Cash	5-20, 50-1, 10-10, and 10-5
767	200.00	07/30/84	Cash	(DHB)
749	28.00	05/11/84	Cash	Geo. Adams Ret. Dinner
711	200.00	03/01/84	Cash	Px box money
480	75.00	08/18/82	Cash	GRY (Initials of Commander)
	<u>933.00</u>			
1165	49.00	07/01/87	Harvard Bus. Review	1 Yr. Subscription
1125	26.00	03/30/87	Newsweek	1 Yr. Subscription
1083	17.97	01/05/87	Outdoor life	2 yr. Subscription
1067	25.00	11/21/86	CJ International	2 Yr. Subscription
1053	14.95	10/23/86	Fins and Feathers	1 Yr. Subscription
1042	22.99	10/01/86	US News	Account # listed
982	26.00	04/17/86	Newsweek	1 Yr. Subscription
951	13.97	01/02/86	Science Digest	Subscription
881	20.75	06/03/85	Newsweek	1 Yr. Subscription
840	26.00	02/25/85	Newsweek	35 Issues
828	14.97	01/11/85	Outdoor Life	24 Month Subscription
823	13.97	12/20/84	Science Digest	Mag. 1yr. Subscription
	<u>271.57</u>			

APPENDIX B
Checks Cashed

Number of Checks	Deposit Date	<u>FY 2000</u>	
		Amount	Total
1	08/12/99	50.00	
2	07/19/99	<u>25.00</u>	
	Total	<u>75.00</u>	<u>75.00</u>

Number of Checks	Deposit Date	<u>FY 1999</u>	
		Amount	Total
3	06/30/99	30.66	
4	06/14/99	40.50	
5	05/14/99	7.00	
6		8.00	
7	04/30/99	50.00	
8		39.97	
9	03/25/99	37.97	
10		29.90	
11	02/25/99	50.00	
12	01/21/99	3.00	
13		100.00	
14		20.00	
15		18.00	
16		47.63	
17	12/23/98	37.97	
18	12/18/98	65.00	
19		41.99	
20		111.23	
21	11/19/98	20.00	
22		6.65	
23	10/22/98	0.87	
24		31.00	
25		39.37	
26	10/05/98	400.00	
27		0.53	
28	10/02/98	50.00	
29		29.00	
30		3.09	
31		39.37	
32	09/18/98	27.15	
33		50.00	
34	08/31/98	37.00	
35		39.37	
36	08/11/98	572.90	
37		300.00	
38		39.37	
39	07/28/98	50.00	
40		<u>39.37</u>	
	Total	<u>2,513.86</u>	<u>2,588.86</u>

Number of Checks	Deposit Date	<u>FY 1998</u>	Total
		Amount	
41	06/16/98	25.00	
42		50.00	
43		50.00	
44		25.25	
45	05/21/98	19.99	
46		21.11	
47		8.99	
48		41.99	
49	03/23/98	39.37	
50	02/27/98	39.37	
51		400.00	
52	02/03/98	10.00	
53		150.00	
54		39.37	
55		7.20	
56	12/22/97	39.37	
57	12/15/97	8.00	
58		42.00	
59		24.58	
60	11/14/97	100.00	
61		30.00	
62		111.11	
63		100.00	
64	10/29/97	39.37	
65	09/29/97	50.00	
66		50.00	
67		39.37	
68	09/16/97	250.00	
69		23.15	
70	09/02/97	39.37	
71	08/14/97	223.50	
72	07/31/97	25.00	
73		50.00	
74		39.37	
75		4.49	
76		<u>193.23</u>	
	Total	<u><u>2,409.55</u></u>	<u><u>4,998.41</u></u>

Number of Checks	Deposit Date	<u>FY 1997</u>	Total
		Amount	
77	06/19/97	16.00	
78		39.37	
79	06/06/97	100.00	
80		10.00	
81		21.48	
82	05/21/97	42.08	
83		144.69	
84		40.00	
85	05/02/97	100.00	
86		64.20	
87	04/15/97	14.07	
88		39.45	
89		197.00	
90		20.00	
91	03/07/97	400.00	
92	02/27/97	50.00	
93		10.00	
94		100.00	
95	11/26/96	28.00	
96		19.00	
97		42.08	
98		111.31	
99	11/04/96	43.21	
100		39.45	
101		43.00	
102		25.00	
103		20.00	
104	10/13/96	100.00	
105		35.00	
106	10/09/96	4.27	
107		22.56	
108	10/20/96	39.45	
109	07/03/96	39.45	
110		<u>20.00</u>	
	Total	<u>2,040.12</u>	<u>7,038.53</u>

Number of Checks	Deposit Date	<u>FY 1996</u>	Total
		Amount	
111	06/17/96	120.00	
112		75.00	
113		6.16	
114		20.00	
115	05/23/96	100.00	
116		42.00	
117	04/30/96	39.45	
118		200.00	
119		20.00	
120	04/08/96	20.00	
121		350.00	
122		22.51	
123	03/22/96	39.46	
124		10.00	
125		20.00	
126	03/06/96	39.45	
127		20.00	
128		7.95	
129		20.00	
130	01/30/96	363.82	
131		39.45	
132	01/04/96	7.36	
133	12/21/95	39.45	
134		90.00	
135	11/27/95	13.76	
136	11/08/95	2.00	
137	10/25/95	45.21	
138	10/16/95	6.50	
139		6.50	
140		5.42	
141	10/03/95	155.00	
142		8.00	
143		15.00	
144	09/13/95	45.21	
145		25.89	
146	08/07/95	45.20	
147		20.00	
148	07/11/95	182.21	
149		5.00	
150		<u>45.21</u>	
	Total	<u><u>2,338.17</u></u>	<u><u>9,376.70</u></u>

Number of Checks	Deposit Date	<u>FY 1995</u>	
		Amount	Total
151	06/13/95	350.00	
152	05/25/95	20.00	
153	05/22/95	50.00	
154	05/12/95	13.99	
155	04/21/95	32.87	
156	03/30/95	32.88	
157	03/28/95	10.00	
158		355.00	
159		25.00	
160		32.88	
161	02/07/95	3.72	
162	01/19/95	10.00	
163		10.00	
164		10.00	
165		32.88	
166		26.87	
167		9.58	
168	12/15/94	20.00	
169		2.32	
170	11/02/94	110.58	
171	10/27/94	26.73	
172	10/06/94	32.87	
173		10.00	
174	08/09/94	32.88	
175		15.36	
176		3.29	
177		412.49	
178	07/14/94	<u>66.85</u>	
	Total	<u>1,759.04</u>	<u>11,135.74</u>

APPENDIX C
Financial Information

**West Virginia State Police Academy
PX/ Vending Account**

**Statement of Cash Receipts and Disbursements
Fiscal Years 1995 - 2000**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>As of Feb. FY 2000</u>
Receipts						
Per Deposits into Checking Account	63,370.31	51,834.96	42,481.00	38,085.37	53,160.56	31,556.96
Beginning Balance						
Checking 07/01	15,411.69	22,906.00	17,874.85	22,575.94	22,508.39	10,784.73
PX Change Fund	100.00	100.00	100.00	100.00	100.00	100.00
Academy Petty Cash	100.00	100.00	100.00	100.00	100.00	100.00
Total Beginning Balance	<u>15,611.69</u>	<u>23,106.00</u>	<u>18,074.85</u>	<u>22,775.94</u>	<u>22,708.39</u>	<u>10,984.73</u>
Total Cash To Account For	<u>78,982.00</u>	<u>74,940.96</u>	<u>60,555.85</u>	<u>60,861.31</u>	<u>75,868.95</u>	<u>42,541.69</u>
Disbursements for Products for Resale						
Coke Vending Products	8,655.00	5,950.65	4,634.15	3,299.30	4,225.00	2,122.95
PX	43,075.18	47,924.45	28,338.27	31,924.28	47,595.25	29,473.11
Total Product Disbursements	<u>51,730.18</u>	<u>53,875.10</u>	<u>32,972.42</u>	<u>35,223.58</u>	<u>51,820.25</u>	<u>31,596.06</u>
Non Product Disbursement						
Bank Fees / Returned Checks	4,031.50	3,655.04	4,955.24	3,887.01	14,154.97	4,741.82
	113.50	86.00	332.80	139.52	66.00	312.00
Total Disbursements	<u>55,875.18</u>	<u>57,616.14</u>	<u>38,260.46</u>	<u>39,250.11</u>	<u>66,041.22</u>	<u>36,649.88</u>
Ending Balance						
Ending Balance Per Bank Statement 06/30	22,906.82	17,874.85	22,575.94	22,508.39	10,784.73	5,726.10
PX Change Fund	100.00	100.00	100.00	100.00	100.00	100.00
Academy Petty Cash	100.00	100.00	100.00	100.00	100.00	100.00
Total	<u>23,106.82</u>	<u>18,074.85</u>	<u>22,775.94</u>	<u>22,708.39</u>	<u>10,984.73</u>	<u>5,926.10</u>
Total Cash Accounted For	<u>78,982.00</u>	<u>75,690.99</u>	<u>61,036.40</u>	<u>61,958.50</u>	<u>77,025.95</u>	<u>42,575.98</u>
Cash Unaccounted For (From Cash Disbursements)	0.00	750.03	480.55	1,097.19	1,157.00	34.29

APPENDIX D
Transmittal Letter

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Building 1, Room E-132
1900 Kanawha Boulevard, East
Charleston, WV 25305-0610
(304) 347-4800
(304) 347-4819 FAX



Aaron Allred
Legislative Manager

April 24, 2000

Lt. Colonel J.S. Powers
West Virginia State Police
725 Jefferson Road
South Charleston, WV 25309-1698

Dear Lt. Colonel Powers:

Thank you for meeting with Dr. Antonio Jones and Harvey Burke of my staff this afternoon to discuss the use of BCI and Px funds. Attached for Colonel Edgell review are draft copies of the outlines, including recommendations, of the two findings the Legislative Auditor's Office is preparing for the May interim meetings. Also attached are lists of questionable expenditures from both BCI funds and Px funds. I request that the State Police review the outlines and provide the Legislative Auditor's Office with any comments, questions, or corrections as soon as possible. Please understand that in addition to the draft outlines, you will also be provided with formal audit findings by the end of this week.

Finally, I request your office's assistance in determining whether the \$2,092.71 in checks written to the Px fund by State Police employee, Ms. Ladonna Townsend, were immediately deposited into the fund's bank account or whether Ms. Townsend was allowed to "float" her checks.

Sincerely,

A handwritten signature in cursive script that reads "Aaron Allred".

Aaron Allred

APPENDIX E
Agency Response



West Virginia State Police
725 Jefferson Road
South Charleston, West Virginia 25309-1698
Executive Office

Cecil H. Underwood
Governor

Colonel Gary L. Edgell
Superintendent

May 1, 2000

RECEIVED

MAY 3 2000

**RESEARCH AND PERFORMANCE
EVALUATION DIVISION**

Aaron Allred, Legislative Manager
Joint Committee on Government and Finance
Building 1, Room E-132
1900 Kanawha Boulevard, East
Charleston, WV 25305-0610

Re: Px Funds, Vending Machine Accounts, 75th Anniversary Funds, et al

Sir:

Based upon conversations with yourself and your staff in relation to the above referenced performance audits, as well as preliminary findings in relation to these audits, it appears there are a number of potential concerns or problems associated with these funds and the activities that generate them. For the record, however, I would like to note the following.

- 1) All of the activities in question (whether right or wrong) are of long standing, some dating back as far as fifty years.
- 2) These accounts were fully disclosed to the State Treasurer's Office as early as 1989 (per the documentation previously provided to your staff).
- 3) The Legislative Auditor's Office also received notification of these accounts at the same time.
- 4) The State Treasurer's Office concurred with the determination that the money in question did not constitute state funds, and as a result, could be utilized as the organization saw fit.
- 5) Given all the above, myself and my predecessors, as well as the personnel who staffed the organization at the time, have always operated in good faith believing that the various activities currently under scrutiny were acceptable.
- 6) I would be surprised if a statewide evaluation did not reveal these or similar activities to be commonplace throughout state government.

Notwithstanding any of the above, I herewith offer the below outlined proposal for your consideration. Should the appropriate authorities concur in this course of action, I would intend to proceed in this fashion.

Equal Opportunity Employer

Step 1

Terminate existing vending machine operations at all State Police facilities.

- a) In preparation for this measure, contact will be made with the Division of Vocational Rehabilitation (per Chapter 18, Article 10G). If the Division of Vocational Rehabilitation elects to take these operations over, the vending machine operations will be transferred and placed under their control.
- b) If the Division of Vocational Rehabilitation elects not to take these operations over, facilities with a need for vending machines will be allowed to establish "break even" operations with that local vendor who offers the best price for the product desired. The vendor will be responsible for paying all taxes, and will reap all profits, and no employee of the State Police will have any access to funds associated with the machine(s).
- c) Regardless of the above, the responsible supervisor at each State Police facility with a vending machine operation will be directed to close any associated bank account, account for all proceeds on hand, convert them to a cashier's check payable to the State, and forward them to the Division Comptroller. These same individuals will also be directed to retain any and all records relating to these machines/funds such that they are available for review as your staff may see fit.

Step 2

Terminate the Px operation at the State Police Academy.

- a) The Director of Training will be directed to close the associated bank account, convert all proceeds to a cashier's check payable to the State, and forward this check to the Division Comptroller. All records to be retained to insure future availability.
- b) Given your findings, there would be no future Px operations at the State Police Academy, and therefore no need to seek Legislative authority for the operation of same. Arrangements can be made whereby students are allowed to leave the facility during the week if some need for absolute essentials arises.
- c) Contingent upon your recommendation, the existing stock and equipment associated with the Px operation can be disposed of by transferring it to either or both of the following:
 - i) State Agency for Surplus Property.
 - ii) West Virginia Trooper's Association.

Note: I would ask that some care be taken regarding disposal of any items which bear the State Police logo (i.e. hats, shirts, etc.). This might best be handled by selling these items to the Troopers Association, thereby insuring some degree of control as to the identity/character of the end users of the items. (Specifically, they would not be sold in an environment such that the Department and the State were later embarrassed because of the use they were put to.) Any proceeds derived under this option would also be conveyed to the State Treasurer.

Step 3

Direct the Division Comptroller to terminate all 75th Anniversary accounts, the successors of these accounts, and consolidate all proceeds contained therein, with a view to surrendering them to the State Treasurer. All records to be retained to insure future availability.

Step 4

Transfer all funds from all the activities described above to the State Treasurer.

Note: Prior to this transfer, we would need a finding from the appropriate authority as to the sales tax which was apparently collected on the 75th Anniversary Commemorative Shotguns (i.e. whether this tax was collected in error, and should therefore be returned to the individuals who purchased the guns).

In summary, it is my belief that this course of action will eliminate many activities which are obviously sources of concern to us both, while at the same time eliminating the need for further diversion of resources, time, and attention to activities which have nothing to do with the Department's mission.

I stand prepared to move very decisively in this matter, and would welcome the opportunity to discuss this and any related issues with yourself or legislative leaders as may be appropriate.

Sincerely,



COLONEL GARY L. EDGELL
SUPERINTENDENT
WEST VIRGINIA STATE POLICE

APPENDIX F

Letter Relating to Reimbursement



West Virginia State Police
 725 Jefferson Road
 South Charleston, West Virginia 25309-1698
 Executive Office

Cecil H. Underwood
 Governor

Colonel Gary L. Edgell
 Superintendent

May 4, 2000

Mr. Aaron Allred, Manager
 Joint Committee on Government & Finance
 Building 1, Room E-132
 1900 Kanawha Boulevard East
 Charleston, West Virginia 25305-0610

RECEIVED

MAY 4 2000

RESEARCH AND PERFORMANCE
 EVALUATION DIVISION

Dear Mr. Allred:

This letter is to confirm our telephone conversation of this date wherein I advised you that I have directed that monies expended by members of the Bureau of Criminal Investigations for items related to the regional Coordinator meeting, as detailed in your draft Preliminary Performance Review of the West Virginia State Police, dated May 2000, be immediately reimbursed to the appropriate state account.

I am pleased to report that the monies in question have actually been received by this office and credited to the appropriate account, effective this date.

Thank you for attention to this matter.

Sincerely,

Gary L. Edgell by CWS

Colonel Gary L. Edgell
 Superintendent

