

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

***WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS***

FOR THE PERIOD

JULY 1, 1998 - JUNE 30, 2001



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
FOR THE PERIOD
JULY 1, 1998 - JUNE 30, 2001

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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CHARLESTON, WEST VIRGINIA 25305-0610

To the Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts maintained by West Virginia University's Department of Intercollegiate Athletics.

Our examination covers the period July 1, 1998 through June 30, 2001. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,


Theodore L. Shanklin, CPA, Director
Legislative Post Audit Division

WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
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WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
EXIT CONFERENCE

We held an exit conference on June 3, 2002 with the Associate Vice President for Finance and other representatives of West Virginia University and all findings and recommendations were reviewed and discussed. The University's responses are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks section of this report.

WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
INTRODUCTION

Established in 1867, West Virginia University (WVU) is the state's major research, doctoral degree-granting, land-grant institution. West Virginia University provides high quality programs of instruction, offering 166 degree programs at the undergraduate, graduate, and first-professional levels, including the state's only law school; fosters basic and applied research and scholarship; and engages in and encourages other creative and artistic work. A wide range of health science programs are taught at WVU's Robert C. Byrd Health Sciences Center through schools of medicine, dentistry, nursing, and pharmacy, including allied health programs and graduate programs in basic health sciences.

West Virginia University combines the breadth of academic opportunities offered by a major research institution with the atmosphere of a small school; the undergraduate student/faculty ratio is 17:1. Enrollment in one of the University's 13 colleges and schools offers students the warmth and friendliness of a small academic community. The University encourages diversity and promotes social justice in all of its activities.

The Downtown Campus is linked to the Evansdale Campus and the Robert C. Byrd Health Sciences Center by the Personal Rapid Transit (PRT) system, which uses automated, electric-powered cars that operate on a concrete and steel guideway and permits quick and easy access to major locations within the University and downtown Morgantown.

The diversity of WVU's student body is apparent in the fall 1999 enrollment of 22,238 students, as all 55 counties of West Virginia, 48 of 50 states, and 96 other countries are represented. West Virginia University has had 25 Rhodes Scholars, 13 Truman Scholars, 17 Goldwater Scholars, and one British Marshall Scholar.

West Virginia University is one of only 43 public universities that serve their states as research and land-grant institutions. The term "land grant" derives from the Congressional act of 1862 that gave federally-owned land to each state, to be sold for funds to begin colleges offering programs in agriculture and engineering. Since its founding in 1867, WVU has developed into the center of graduate and professional education, research, and extension programs in West Virginia. Coal and energy are a major focus of University research because of WVU's location in the eastern coal fields.

West Virginia University campuses combine traditional and modern architectural styles, and eleven campus buildings are listed on the National Register of Historic Places. Many of these original buildings, including Stalnaker Hall, have been restored and renovated.

Current library holdings include 1.4 million volumes; 2.2 million microforms; 7,453 subscriptions; 20,482 linear feet of archival materials (in excess of 5,000,000 items); 38,670 audiovisuals; and various electronic databases. All libraries are automated with the NOTIS system.

West Virginia University programs and services are accessibly located throughout West Virginia. Regional campuses include West Virginia University at Parkersburg, Potomac State College of West Virginia University, and West Virginia University Institute of Technology. West Virginia University operates the Charleston Division of the Robert C. Byrd Health Sciences Center and the Wheeling Division of the School of Medicine. In addition, there are six extended learning regional centers at Charleston, Clarksburg, WVU-Parkersburg, Potomac State College, Shepherd College, and West Liberty State College.

West Virginia University operates eight experimental farms in Hardy, Jefferson, Monongalia, Monroe, and Preston counties; five experimental forests in Monongalia, Preston, Randolph, and Wetzel counties; a geology camp in Greenbrier County; and the state 4-H Camp and a museum of mid-nineteenth century life at Jackson's Mill.

The Department of Intercollegiate Athletics sponsors 21 Intercollegiate sports: baseball; men's and women's basketball; men's and women's cross country; football; women's gymnastics; men's and women's indoor track; men's and women's outdoor track; rifle (coed); women's rowing; men's and women's soccer; men's and women's swimming; men's and women's tennis; women's volleyball; and wrestling.

WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
ADMINISTRATIVE OFFICERS AND STAFF
AS OF JUNE 30, 2001

Dr. David C. Hardesty, Jr. President

Dr. Scott C. Kelley Vice President for Administration and
Finance and Human Resources

Ed Pastilong Director of Athletics

Garrett Ford Assistant Athletic Director for Student Services

Mike Parsons Assistant Athletic Director for External Affairs

Russ Sharp Assistant Athletic Director for
Finance and Administration

Terri Howes Assistant Athletic Director for Sports Development

Debby Travinski Manager of Athletic Ticket Operations

Jerry Bowermaster Business Manager

Joyce Bucklew Business Manager

Sharon Weese Accountant

Ruby Shrout Accountant

Eleanor Lamb Accounting Assistant

WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

Lack of Effective System of Internal Controls

1. During the course of our examination, it became apparent to us, based on the observed noncompliance with the West Virginia Code, West Virginia University (WVU) did not have an effective system of internal controls in place over the Department of Intercollegiate Athletics to ensure compliance with applicable State laws, rules and regulations. We believe an effective system of internal controls would have alerted management to these violations at an earlier date and allowed more timely corrective action.

Auditors' Recommendation

We recommend WVU comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and establish a system of internal controls.

University's Response

The University has an established effective system of internal control in the form of policies and procedures set up to ensure the University operates in compliance with the laws, rules and regulations that govern the institution, including State laws. (See pages 14-17)

**Miscellaneous Compensation Payments Made to Various Coaches
Paid With State Funds Not Reimbursed by the WVU Foundation**

2. During our examination of personal services, we noted part of the compensation paid to certain coaches was to be funded by the Athletic Endowment Fund (AEF) maintained by the WVU Foundation. These coaches included the former Head Men's Basketball Coach,

former Head Football Coach, and the current Head Football Coach. To facilitate these compensation payments to these coaches, the AEF component of each coach's salary was paid out along with their regular compensation through the Athletics Account of WVU. However, we noted no reimbursements were received from the WVU Foundation related to the AEF compensation which was initially funded by State funds. From July 1, 1991 through March 15, 2002, the total amount of AEF payments and related employer fringe benefits paid through the Athletics Account directly to or on behalf of these three coaches amounted to \$428,517.87.

Auditors' Recommendation

We recommend WVU comply with Chapter 18B, Article 10, Section 11 of the West Virginia Code. We further recommend the University seek reimbursement from the WVU Foundation in the amount of \$428,517.87.

University's Response

The University has taken the necessary action to receive reimbursements from the WVU Foundation totaling \$428,517.87. (See pages 18-22)

Employees Paid from Incorrect Account

3. During our examination of personal services and employee benefits, we noted nine employees were incorrectly paid a total of approximately \$1,050,000 in salaries and related fringe benefits from the Athletics Facilities Construction and Reserve Account instead of the Athletics Account. Monies deposited into the Athletics Facilities Construction and Reserve Account are to be used only for the construction, repair or replacement of athletic facilities. Upon reviewing the job duties of these employees and speaking with appropriate University personnel, we learned the job duties of these employees consisted primarily of routine maintenance and were not related to major construction or repair projects.

Auditors' Recommendation

We recommend WVU comply with Chapter 18B, Article 10, Section 11 of the West Virginia Code.

University's Response

Effective for fiscal year 2002, the University has reviewed its use of this account and will use it to pay construction, repair and replacement costs, including employee salaries. (See pages 22-24)

Receipts Into Athletic Facilities Construction and Reserve Account

4. We learned WVU only assesses the one-percent charge due the Athletics Facilities Construction and Reserve Account against fees charged for admission to WVU athletic events rather than against total gross receipts in the athletic accounts from all sources. As a result, we believe WVU underfunded the Athletics Facilities Construction and Reserve Account by approximately \$21,591 and \$46,060 in fiscal years 2001 and 2000, respectively.

Auditors' Recommendation

We recommend WVU comply with Chapter 18B, Article 10, Section 11 of the West Virginia Code.

University's Response

Effective for fiscal year 2002, the University has taken corrective action to implement the recommendations. (See pages 24 and 25)

Game Advance Account

5. During our examination of the Game Advance Account, we noted 201 instances totaling \$70,762.95 where the vendor invoices/receipts supporting game expenses expended from the account were not maintained by the University as a part of their records. We also noted

certain internal control deficiencies relating to the bookkeeping maintenance on this local bank account.

Auditors' Recommendation

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b), as amended, and Chapter 18B, Article 10, Section 11 of the West Virginia Code. Also, we recommend the Athletics Department amend its Travel Policy to include greater accountability regarding transactions processed through the Game Advance Account.

University's Response

The University makes every effort to complete with applicable State laws. As issues arise, the University will take appropriate corrective action. The University will consider the auditors' recommendations made to enhance its current processes. (See pages 25-28)

Athletics Facilities Construction and Reserve Account

6. We observed WVU charged eight expenditures totaling \$47,865.00 related to WVU's computerized ticketing system for athletic events to the Athletics Facilities Construction and Reserve Account which should have been charged to the Athletics Account. Also, we noted one construction expenditure totaling \$12,591.78 charged to an incorrect object code.

Auditors' Recommendation

We recommend WVU comply with Chapter 18B, Article 10, Section 11 and Chapter 5A, Article 8, Section 9(b), as amended, of the West Virginia Code.

University's Response

Effective for fiscal year 2002, the University has taken corrective action to implement the recommendations. (See pages 29-31)

Receiving of Commodities and Miscellaneous Expenditures

7. We noted an internal control weakness in the Athletic Department's receiving process. We noted 13 transactions totaling \$41,989.55 paid from the Athletics Account and one transaction amounting to \$1,831.04 paid from the Athletics Facilities Construction and Reserve Account where the Athletics Department purchased goods without having independent verification from an employee other than the employee who initially ordered the goods that these goods were actually received.

Auditors' Recommendation

We recommend WVU comply with the provisions of Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. We also recommend WVU comply with the provisions of Higher Education Policy Bulletin Number 47.

University's Response

The University believes its level of internal control is adequate in regard to purchasing. Effective for fiscal year 2002, the University has taken corrective action to implement the auditors' recommendations regarding miscellaneous expenditures. (See pages 31-34)

Duplicate Payments

8. We noted two instances in which duplicate payments totaling \$1,595.20 were made to separate vendors. University records indicated the two payments were made to settle the same invoices.

Auditors' Recommendation

We recommend WVU comply with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, and collect the amounts overpaid in duplicate payments.

University's Response

The University makes every effort to comply with the provisions of State law regarding payments to vendors. As issues arise, the University will take appropriate corrective action. (See pages 34 and 35)

Payroll Transactions

9. We noted six instances where two employees were overpaid a net total of \$587.74; two instances where the TIAA retirement deduction was not withheld from the first paycheck issued to two newly hired employees; and, one instance where one employee's United Way payroll deduction authorization could not be located by Human Resources' personnel.

Auditors' Recommendation

We recommend WVU comply with Chapter 12, Article 3, Section 13; Chapter 21, Article 5C, Section 3; Chapter 18, Article 23, Section 4a; and, Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended.

University's Response

The University makes every effort to comply with the provisions of State law . As issues arise, the University will take appropriate corrective action. (See pages 35-38)

Annual Increment

10. We noted four instances where two employees' annual increment (longevity) payments were not calculated using the correct amount of service resulting in overpayments totaling \$300.00 to these employees.

Auditors' Recommendation

We recommend WVU comply with Chapter 5, Article 5, Sections 1 and 2 of the West Virginia Code, as amended.

University's Response

The University makes every effort to comply with State laws. As issues arise, the University will take appropriate corrective action. The University will consider the auditors' recommendations made to enhance its current processes. (See pages 38-40)

WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
GENERAL REMARKS

INTRODUCTION

We have completed a post audit of West Virginia University's Department of Intercollegiate Athletics. The audit covered the period July 1, 1998 through June 30, 2001.

SPECIAL REVENUE ACCOUNTS

During the audit period, WVU maintained various special revenue accounts to contain the proceeds received and pay expenses related to the operation of the University's athletics programs as required by law. Monies collected were deposited with the State Treasurer in the following special revenue accounts:

<u>Number</u>	<u>Description</u>
4151	Athletic Facilities Construction & Reserve Account (Athletic Facilities Construction, Repair or Replacement Reserve); Athletic event income and interest for construction and repairs of athletic facilities.
4152	Athletics Account Athletic event income, television receipts, rentals, concession sales and interest used for expenses of athletic department and programs.
4154	Special Gate Receipts Account Earned interest, football ticket surcharge, gate receipts and transfers from fund 4152 for activity expenses.

LOCAL ACCOUNTS

In order to have cash available for specific local operations, local bank accounts are used for managing funds required on a day-to-day basis. These local accounts are described as follows:

Athletic Department Clearing Account

Clearing bank account that is used for Athletic Department deposits collected through the Ticket Office. Monies deposited to this account include cash receipts collected from ticket sales to athletic events and contributions made to the WVU Foundation. This account is cleared daily. Monies are transferred to WVU Intercollegiate Athletics and/or the WVU Foundation.

Game Advance Account

This account is an advance depository account used for estimated amounts of money drawn down from the Athletics Fund. Money is deposited into this account to pay expenses involved in athletic events held during the month. Settlement is made every 30 days with the State Auditor's Office.

COMPLIANCE MATTERS

Chapter 18B of the West Virginia Code generally governs West Virginia University (WVU). We tested applicable sections of the above plus other applicable chapters, articles, and sections of the West Virginia Code as they pertain to financial matters. Our findings are discussed below.

Lack of Effective System of Internal Controls

During the course of our examination, it became apparent to us, based on the observed noncompliance with the West Virginia Code, West Virginia University did not have an effective system of internal controls in place to ensure compliance with applicable State laws. Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

“The head of each agency shall:

. . . (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities. . . .”

This law requires the agency head to have in place an effective system of internal controls in the form of policies and procedures set up to ensure the agency operates in compliance with the laws, rules and regulations which govern it.

During our audit of West Virginia University’s Department of Intercollegiate Athletics, we found the following instances of noncompliance with State laws or other rules and regulations: (1) During our examination of personal services, we noted part of the compensation paid to certain coaches was to be funded by the Athletic Endowment Fund (AEF) maintained by the WVU Foundation. These coaches included the former Head Men’s Basketball Coach, former Head Football Coach, and Current Head Football Coach. To facilitate these compensation payments to these coaches, the AEF component of each coach’s salary was paid out along with their regular compensation through the Athletics Account. However, we noted reimbursement for these payments representing AEF compensation which were funded by State funds were never reimbursed by the WVU Foundation. From July 1, 1991 through March 15, 2002, the total amount of AEF payments and related employer fringe benefits paid through the Athletics Account directly to or on behalf of these three coaches amounted to \$428,517.87. (2) During our examination of personal services/employee benefits, we noted nine employees were incorrectly paid a total of approximately \$1,050,000 in salaries and related fringe benefits from the Athletics Facilities Construction and Reserve Account instead of the Athletics Account. Monies deposited to the Athletics Facilities Construction and Reserve Account are to be used only for the construction, repair or replacement of athletic facilities. Upon reviewing the job descriptions of these employees and speaking to the

appropriate University personnel, we learned the job duties of these employees consisted primarily of routine maintenance and were not related to major construction/repair projects. (3) We learned WVU only assesses the one-percent charge due the Athletics Facilities Construction and Reserve Account against fees charged for admission to WVU athletic events rather than against total gross receipts in the athletic accounts from all sources. As a result, we believe WVU underfunded the Athletic Facilities Construction and Reserve Account by approximately \$21,591 and \$46,060 in fiscal years 2001 and 2000, respectively. (4) During our examination of the Game Advance Account for the period July 1, 1999 through June 30, 2001, we noted 201 instances totaling \$70,762.95 where the vendor invoices/receipts supporting game expenses expended from the account were not maintained by the University as a part of their records. We also noted certain internal control deficiencies relating to the bookkeeping maintenance on this local bank account. (5) During our examination of expenditures paid from the Athletics Facilities Construction and Reserve Account, we observed WVU charged eight expenditures totaling \$47,865.00 to this account when they should have been charged to the Athletics Account. We also noted one construction expenditure totaling \$12,591.78 charged to the incorrect object code. (6) During our examination of expenditure transactions processed during the period July 1, 1999 through June 30, 2001, we noted an internal control weakness in the Athletic Department's receiving process. We noted 13 transactions totaling \$41,989.55 paid from the Athletics Account and one transaction amounting to \$1,831.04 paid from the Athletics Facilities Construction and Reserve Account where the Athletics Department purchased goods without having independent verification from an employee other than the employee who initially ordered the goods that these goods were actually received. (7) During our examination of expenditure transactions for the period July 1, 1998 through June 30, 2001, we noted two instances in which duplicate payments totaling \$1,595.20 were made to various vendors.

University records indicated the two payments were made to settle the same invoice. (8) During our examination of payroll transactions processed through the Athletics Account for the period July 1, 1999 through June 30, 2001, we noted six instances where two employees were overpaid a net total of \$587.74; two instances where the TIAA retirement deduction was not withheld from the first paycheck issued to two newly hired employees; and one instance where one employee's United Way payroll deduction authorization could not be located by Human Resources personnel. (9) During our test of personal services, we noted four instances in which two employees' annual increment (longevity) payments were not calculated using the correct amount of service resulting in overpayments totaling \$300.00 to these employees.

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and establish an effective system of internal controls.

University's Response

The University makes every effort to comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code. Accordingly, the University has an established effective system of internal control in the form of policies and procedures set up to ensure the University operates in compliance with the laws, rules and regulations that govern the institution, including State laws. No material weaknesses have been identified in the annual audits. Recurring audits include: an internal audit of the Athletic Department ticketing operation, depositing, and reconciliation processes; the annual financial statement and bond statements related to covenant compliance conducted by Deloitte and Touche; and the National Collegiate Athletic Association agreed upon procedures work conducted by Ernst and Young. The State Auditor's Office has also conducted a review of the payment processes and found no material weaknesses in the University's system of internal control.

Miscellaneous Compensation Payments
Made to Various Coaches Paid With State Funds
Not Reimbursed by the WVU Foundation

During our examination of personal services, we noted part of the compensation paid to certain coaches was to be funded by the Athletic Endowment Fund (AEF) maintained by the West Virginia University (WVU) Foundation. These coaches included the former Head Men's Basketball Coach, former Head Football Coach, and Current Head Football Coach. To facilitate these compensation payments to these coaches, the AEF component of each coach's salary was paid out along with their regular compensation through the Athletics Account of WVU. However, we noted these payments representing AEF compensation which were initially paid using State funds were never reimbursed by the WVU Foundation. We believe the use of Athletics Account funds to make compensation payments on behalf of the WVU Foundation, a private, non-profit corporation, would be in noncompliance with the provisions of Chapter 18B, Article 10, Section 11 of the West Virginia Code. From July 1, 1991 through March 15, 2002, the total amount of AEF payments and related employer fringe benefits paid through the Athletics Account directly to or on behalf of these three coaches amounted to \$428,517.87. The amounts paid to each coach are itemized in the following schedule:

<u>Coach</u>	<u>Amount of AEF Compensation</u>	<u>Amount of Employer Fringe Benefits</u>	<u>Total</u>
Former Men's Head Basketball Coach	\$145,049.92	\$35,114.41	\$180,164.33
Former Head Football Coach	118,754.00	29,290.41	148,044.41
Current Head Football Coach	<u>81,375.00</u>	<u>18,934.13</u>	<u>100,309.13</u>
Total	<u>\$345,178.92</u>	<u>\$83,338.95</u>	<u>\$428,517.87</u>

Effective July 1, 1982, the WVU Foundation entered into separate agreements with both the former Head Men's Basketball Coach and the former Head Football Coach. As an incentive to remain with WVU, the WVU Foundation agreed to set up for each coach within the Athletic Endowment Fund, a deferred compensation account to which the Foundation would contribute a set amount from private donations to each coach's account each fiscal year.

Specifically, the WVU Foundation's agreement with the former Head Football Coach stated in part in Section 4:

"Section 4. During each year ... the Foundation will, from the income of the AEF (computed in accordance with generally accepted accounting principles, but provided that any gains or losses arising from the sale or exchange of assets of the AEF shall not effect the calculation of income), allocate to an account . . . (the "Deferred Account"), amounts during each year of his service as follows:

<u>Year (July 1, to June 30)</u>	<u>Amount Allocated</u>
1 (1982 - 83)	\$ 9,000
2	18,000
3	27,000
4	36,000
5 and each year thereafter	45,000"

In addition, the WVU Foundation's agreement with the former Head Basketball Coach stated in part in Section 4:

"Section 4. In addition to the amounts allocated to the Special Account during each year . . . the Foundation will, allocate to an account to be held . . . (the "Deferred Account"), amounts during each year of his service as follows:

<u>Year (July 1, to June 30</u>	<u>Amount Allocated</u>
1 (1982 - 83)	\$ 7,200
2	14,400
3	21,600
4	28,800
5 and each year thereafter	36,000"

On August 31, 1987, an addendum was added to each coach's contract increasing the amount to be contributed annually by the Foundation. The annual contribution to the Men's Head Basketball Coach's account was increased by \$8,000.00 to a total of \$44,000.00 while the annual contribution to the Head Football Coach's account was increased by \$10,000.00 to a total of \$55,000.00. However, with the passage of the Federal Tax Reform Act of 1986, any such increases in contribution amounts to these types of deferred compensation accounts to take effect after January 1, 1987 could no longer be deferred, but had to be paid out in the same year contributed. Thus, these contribution increases along with any annualized earnings were paid out to each coach through the Athletics Account along with their regular compensation. However, WVU was never reimbursed by the Foundation for making these payments to each of these former coaches on behalf of the Foundation after June 30, 1991.

At the end of November 2000, WVU hired a new Head Football Coach upon the retirement of the former Head Football Coach. As part of the new coach's contract with WVU, he was to receive \$63,000.00 from the Athletic Endowment Fund annually as part of his total compensation package in accordance with the following provisions:

“. . . In addition to your annual base salary, West Virginia University will provide you annually with the following addition compensation as head football coach:

\$63,000 from the Athletic Endowment Fund for participation in various Mountaineer Athletic Club and other similar events. You will be required to make a minimum 12 appearances at events sponsored by the Mountaineer Athletic Club or its affiliated organizations. . . .”

This \$63,000.00 would be paid to the coach throughout the course of the fiscal year along with his regular compensation through the Athletics Account. University personnel told us WVU has billed the WVU Foundation \$78,057.01 (\$63,000.00 salary + \$15,057.10 employer fringe benefits) as reimbursement for part of the monies paid to or on behalf of the current Head Football Coach. As of March 31, 2002, we have received no documentation from WVU documenting where this payment has been deposited to the Athletics Account.

We believe paying this compensation from the Athletics Account without receiving reimbursement from the WVU Foundation would be in noncompliance with Chapter 18B, Article 10, Section 11 of the West Virginia Code which states in part:

“ . . . All money derived from such fees and under such contracts shall be used to defray the cost of maintaining the athletic department and athletic program of such institutions. The operation of training camps and training tables and providing room accommodations for participants in the athletic program of such institutions shall be recognized and considered as a proper part of such maintenance, but the specific mention of training camps and training tables and providing room accommodations shall not be construed or understood to limit in any way the general power and authority otherwise granted and conferred by this section. . . .” (Emphasis added)

By making these AEF payments on behalf of the WVU Foundation to each coach without receiving reimbursement, WVU risked not having enough monies within the Athletics Account to fund the general operations of the Athletics Department as well as, making payments on behalf of a private, non-profit corporation using State funds.

After speaking with the Assistant Athletic Director for Finance and Administration and the WVU Foundation's Vice President for Finance and Administration, we learned that none of these payments have been reimbursed by the Foundation since WVU began paying out such payments. We were told by Athletics Department officials the Foundation's failure to reimburse WVU was simply an oversight and that steps would be taken to receive reimbursement from the WVU Foundation for these payments.

We recommend WVU comply with the provisions of Chapter 18B, Article 10, Section 11 of the West Virginia Code. We further recommend the University seek reimbursement from the WVU Foundation in the amount of \$428,517.87.

University's Response

Effective for fiscal year 2002, the University has taken appropriate action to receive reimbursement from the WVU Foundation's Athletic Endowment Fund (AEF) for the following amounts:

	<u>AEF</u> <u>Compensation</u>	<u>Fringe</u> <u>Benefits</u>	<u>Total</u> <u>Reimbursement</u>
<i>Former Men's Head Basketball Coach</i>	<i>\$145,049.92</i>	<i>\$35,114.41</i>	<i>\$180,164.33</i>
<i>Former Head Football Coach</i>	<i>\$118,754.00</i>	<i>\$29,290.41</i>	<i>\$148,044.41</i>
<i>Current Head Football Coach (for period Dec. 2000-Nov. 2001)</i>	<i>\$ 81,375.00</i>	<i>\$18,934.13</i>	<i>\$100,309.13</i>
<i>Current Head Football Coach (for period Dec. 2001-current)</i>	<i>Now paid via a monthly transfer from AEF</i>		

Documentation regarding these reimbursements will be provided to the State Legislative Auditors.

Employees Paid from Incorrect Account

During our examination of personal services/employee benefits, we observed nine employees were being incorrectly paid from the Athletics Facilities Construction and Reserve Account instead of the Athletics Account. Monies deposited to the Athletics Facilities Construction

and Reserve Account are to be used only for the construction, repair or replacement of athletic facilities. Upon reviewing the job descriptions of these employees and speaking to the appropriate University personnel, we learned the job duties of these employees consisted primarily of routine maintenance and were not related to major construction/repair projects. For the period July 1, 1998 through June 30, 2001, we estimated the University paid these employees approximately \$1,050,000 in salary and benefits from this account.

We believe the expenditures paid from the Athletics Facilities Construction and Reserve Account for personal services/employee benefits for these employees are in noncompliance with Chapter 18B, Article 10, Section 11 of the West Virginia Code which states in part:

“ . . . Provided, That (1) percent of the total gross receipts deposited into the athletic accounts and (2) not less than twenty-five percent of the net receipts from televised athletic events, bowl games and post-season tournaments deposited into the athletic accounts shall be transferred into a separate and distinct special revenue account for each individual state institution of higher education, which special revenue account shall be designated “athletic facilities construction, repair or replacement reserve account,” in the state treasury. Such revenues shall be used only for construction, repair or replacement of athletic facilities at the same individual state institution of higher education to which such special revenue account is credited. . . .”

The effect of incorrectly paying employees from the Athletics Facilities Construction and Reserve Account results in less monies being available for the funding of major construction projects. Upon bringing this situation to the attention of the appropriate officials of the Athletics Department, these officials concurred that the paying of these employees from this account was an inappropriate use of these funds. A review of the University's payroll records indicated the University had transferred by the beginning of March 2002, each of these nine employees to the payroll of the Athletics Account.

We recommend WVU comply with Chapter 18B, Article 10, Section 11 of the West Virginia Code.

University's Response

Effective for fiscal year 2002, the University has reviewed its use of this account and will use it to pay construction, repair, and replacement costs, including employee salaries.

Receipts Into Athletic Facilities Construction and Reserve Account

During our audit of the WVU Athletics Department, we noted the Department only assessed the one percent charge which is supposed to be deposited into the Athletic Facilities Construction and Reserve Account against the admission fees to WVU athletic events rather than against the total gross receipts deposited into the Athletics accounts from all sources. As a result, we believe WVU did not transfer the correct amount of money into the Athletic Facilities Construction and Reserve Account.

Specifically, Chapter 18B, Article 10, Section 11 of the West Virginia Code states in part,

“ . . . Provided, That (1) percent of the total gross receipts deposited into the athletic accounts and (2) not less than twenty-five percent of the net receipts from televised athletic events, bowl games and post-season tournaments deposited into the athletic accounts shall be transferred into a separate and distinct special revenue account for each individual state institution of higher education, which special revenue account shall be designated “athletic facilities construction, repair or replacement reserve account,” in the state treasury. Such revenues shall be used only for construction, repair or replacement of athletic facilities at the same individual state institution of higher education to which such special revenue account is credited. . . .” (Emphasis added)

During the fiscal years ended June 30, 2001 and June 30, 2000, WVU had total gross receipts of \$21,527,096.91 and \$15,125,687.41, respectively, in the Athletics Account. Of these

totals, \$19,367,982.91 in fiscal year 2001 was athletic event admission fees while \$10,519,691.61 in fiscal year 2000 was athletic event admission fees. Based on these amounts, we estimate the Athletic Facilities Construction and Reserve Account may have been underfunded by approximately \$21,591 in fiscal year 2001 and \$46,060 in fiscal year 2000.

We recommend WVU comply with Chapter 18B, Article 10, Section 11 of the West Virginia Code.

University's Response

Effective for fiscal year 2002, the University has taken corrective action to implement the State Legislative Auditors' recommendations.

Game Advance Account

During our examination of the Game Advance Account for the period July 1, 1999 through June 30, 2001, we noted 201 instances totaling \$70,762.95 where the vendor invoices/receipts supporting game expenses expended from the account were not maintained by the University as a part of their records. These instances of incomplete documentation related to the game expenses reflected on the Game Advance Settlement Reports for the following three game advances: October 1999; the Music City Bowl held on December 28, 2000; and May/June 2000.

Specifically, we noted certain internal control deficiencies relating to the bookkeeping maintenance of the Game Advance Account. There is no computerized check register maintained for this account by Athletics Department personnel, but instead only a manually maintained check stub book balance. A computerized check register would aid WVU in decreasing the amount of bookkeeping errors and be an effective management tool in determining the amount of future game advances needed on a monthly basis. We believe the requirements set forth in Chapter 5A, Article 8, Section 9 of the West Virginia Code concerning record keeping would pertain to the Game

Advance Account because the account is funded by cash advances from WVU's Athletics Account which is a State account.

Another internal control deficiency noted, concerned the present Athletics Department policy pertaining to individual advances. Monthly, individual advances are issued from the Game Advance Account to coaches or other Athletics personnel for game expenses which may arise at home or away events. The Athletics Department's policy encourages coaches to purchase traveler checks to pay for game expenses, but ultimately leaves the decision of what means to utilize to pay for game expenses to the discretion of the individual payee. Athletics personnel issued cash advances may purchase traveler checks, cash the check issued, or deposit the advance check into their personal bank account which is then used to pay such expenses. West Virginia University does not maintain as part of their records, documentation received from WVU personnel issued advances as a means of documenting the manner (copies of traveler checks, canceled checks, etc.) such WVU personnel used to pay these game expenses. This policy does not explicitly require sufficient documentary evidence that an expense was actually incurred.

Additionally, we noted the Athletics Department has no formal policy regarding the proper handling of stale-dated checks. During the period July 1, 1999 through June 30, 2001, \$1,334.84 of stale- dated checks was added back to the book balance and a check subsequently issued from the Game Advance Account in the amount of the stale-dated checks which was redeposited to the Athletics Account (4152). Also, there were two checks issued totaling \$1,676.00 (check #42827 \$1,122.80 and #42829 \$553.20) which were subsequently voided and added back to the book balance. However, neither check was among the records kept for this account. A similar check transaction amounting to \$667.78 (classified as lost by the payee according to University records) was voided and added back to the book balance. Subsequently, a review of University bank

records indicated this check had been subsequently cashed by the payee more than a year after the check had been initially issued. We believe the University should contact the bank which maintains this account to ascertain whether the bank offers customers the option of having any checks not cashed after six months to be automatically voided. If not, WVU should consider issuing stop payment orders on stale-dated checks.

The guidelines for efficient and effective record keeping are set forth in Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, which states in part:

“The head of each agency shall:
... (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights for the state and of persons directly affected by the agency’s activities. . . .”

The guidelines for cash handling of individual advances and keeping of receipts are addressed in Travel Section 23.0 of the WVU Department of Intercollegiate Athletics Policies and Procedures. Section 23.1 of this policy states in part:

“... a. Prior to leaving on a particular trip, the respective head coach, or his or her designee, will receive a check from the Game Advance Account for the purpose of funding expenses relative to that trip. All individuals obtaining any money through this account are encouraged. to utilize traveler checks for the purpose of security. The expense of the traveler checks will be reimbursed to the individual. Any loss due to theft will be the responsibility of the person receiving the advance.

b. . . . All expenses must be accompanied by original receipts to serve as documentation. Receipts must be itemized and appear on letterhead. Adding machine tapes do not constitute legitimate receipts. . . .”

Without adequate supporting documentation, WVU may not be able to substantiate the financial transactions as they occur. According to University personnel, the original invoices/receipts received from persons responsible for individual game advances/expenses are

forwarded to the State Auditor's Office with no copies being kept on file at WVU. Instead, typewritten (pink receipts) receipts summarizing each expense are completed by the employee responsible for maintaining the account and filed with the Game Operations Settlement Reports. This employee told us that she was never instructed to keep copies of the originating receipts/invoices and never did so.

Without a computerized check register for the Game Advance Account, WVU is foregoing the ability to control and detect bookkeeping errors and/or plan and budget upcoming athletic seasons more efficiently. Because some parties responsible for individual game advances and their related expenses pay for goods/services with cash, it may not be possible for WVU to determine if an expense actually occurred. The policy as it is currently written does not allow for sufficient accountability in the area of cash advances issued to individual employees. Finally, voiding checks only on the University's records which may later be cashed by the original payee may result in an insufficient bank balance to cover expenses as they occur. University personnel told us the Athletics Department was currently satisfied with the manner in which the Game Advance Account is being maintained but may make improvements in the future.

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b), as amended, and Chapter 18B, Article 10, Section 11 of the West Virginia Code. Also, we recommend the Athletics Department amend its Travel Policy to include greater accountability regarding transactions processed through the Game Advance Account.

University's Response

The University makes every effort to comply with Chapter 5A, Article 8 Section 9(b), as amended, and Chapter 18B, Article 10, Section 11 of West Virginia Code. As issues arise, the University will take appropriate corrective action. The University will consider the State Legislative Auditor's recommendations made to enhance its current processes.

Athletics Facilities Construction and Reserve Account

During our examination of expenditures paid from the Athletics Facilities Construction and Reserve Account, WVU charged eight expenditures totaling \$47,865.00 to this fund which we believe should have been charged to the Athletics Account. These payments, which are itemized in the following schedule, were made to the Paciolan Systems Company for providing software maintenance services to WVU's computerized ticketing system for athletic events:

<u>FIMS Document #</u>	<u>Date Paid</u>	<u>Amount Paid</u>
I003485778	10/23/98	\$ 4,317.00
I003594973	01/07/99	6,072.00
I003824833	06/15/99	6,072.00
I003813259	06/16/99	6,072.00
I003999101	10/13/99	6,333.00
I004096959	12/21/99	6,333.00
I004249417	04/11/00	6,333.00
I004395268	07/14/00	<u>6,333.00</u>
Total		<u>\$47,865.00</u>

We also noted one construction expenditure totaling \$12,591.78 charged to the incorrect object code. The expenditure was for remodeling/alteration work performed at WVU's Puskar Center by the Huffman Corporation and was charged to Object Code 092-Buildings which is utilized for disbursements relating to building construction or acquisition. However, we believe the object code which this expenditure should have been charged was Object Code 064-Building Structure Repairs and Alterations which is used for charges relating to labor and/or materials used to repair and/or modify a building either internally or externally.

We believe the expenditures paid from the Athletics Facilities Construction and Reserve Account for software support maintenance of the Athletics Department's ticketing system is in noncompliance with Chapter 18B, Article 10, Section 11 of the West Virginia Code which states in part:

“ . . . All money derived from such fees and under such contracts shall be used to defray the cost of maintaining the athletic department and athletic program of such institutions. The operation of training camps and training tables and providing room accommodations for participants in the athletic program of such institutions shall be recognized and considered as a proper part of such maintenance, but the specific mention of training camps and training tables and providing room accommodations shall not be construed or understood to limit in any way the general power and authority otherwise granted and conferred by this section: Provided, That (1) percent of the total gross receipts deposited into the athletic accounts and (2) not less than twenty-five percent of the net receipts from televised athletic events, bowl games and post-season tournaments deposited into the athletic accounts shall be transferred into a separate and distinct special revenue account for each individual state institution of higher education, which special revenue account shall be designated “athletic facilities construction, repair or replacement reserve account,” in the state treasury. Such revenues shall be used only for construction, repair or replacement of athletic facilities at the same individual state institution of higher education to which such special revenue account is credited. . . .”

The guidelines for efficient and effective record keeping are set forth in Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, which states in part:

“The head of each agency shall:
 . . . (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights for the state and of persons directly affected by the agency's activities. . . .”

Incorrectly classifying financial transactions to the wrong fund or object code may lead to misleading financial statements.

According to Athletics Department personnel, the eight transactions incorrectly charged to the Athletics Facilities Construction and Reserve Account were attributed to the decision to pay these expenditures from this account by a former Assistant Athletic Director. University personnel did start charging the appropriate account beginning with fiscal year 2001 and we were told the necessary steps would be taken to properly reimburse the Athletic Facilities Construction and Reserve Account from the Athletics Account. The construction expenditure charged to the incorrect object code was simply a bookkeeping error according to a Contract Specialist with the Procurement Services Office.

We recommend WVU comply with Chapter 18B, Article 10, Section 11 and Chapter 5A, Article 8, Section 9(b), as amended, of the West Virginia Code.

University's Response

Effective for fiscal year 2002, the University has taken corrective action to implement with the State Legislative Auditors' recommendations.

Receiving of Commodities and Miscellaneous Expenditures

During our examination of expenditure transactions processed during the period July 1, 1999 through June 30, 2001, we noted an internal control weakness in the Athletics Department's receiving process. University personnel explained there is no centralized purchasing function within the Athletics Department. As a result, the person who initially starts the purchasing process will usually receive the goods along with the vendor invoice. The vendor invoice is then forwarded to an Accountant in the Athletics Business Office for further processing. The Accountant receives the invoice, contacts the employee who ordered the goods for verbal confirmation that the goods reflected on the vendor invoice were actually received, and enters the transaction data into the University's computerized accounting system (MAPS). Based on the verbal confirmation obtained

from the employee, the Accountant completes an online receiving report within MAPS. The Accountant completes this report without having physically verified the goods were received which we believe does not meet the requirements set by the State Auditor.

We noted 13 transactions totaling \$41,989.55 paid from the Athletics Account and one transaction amounting to \$1,831.04 paid from the Athletics Facilities Construction and Reserve Account where the Athletics Department purchased goods without having independent verification from an employee, other than the employee who initially ordered the goods, that these goods were actually received.

Also, there was one invoice (paid through the Athletics Account) received from a vendor where the Athletics Department had purchased various items of office furniture during October 1999 from this vendor. Upon reviewing the supporting documentation for this transaction, we were unable to match three items totaling \$926.58 itemized on the vendor invoice against the price list supplied by the vendor. The University was unable to locate any additional documentation relating to this transaction.

Additionally, we noted one transaction where the University underpaid a life insurance company in the amount of \$100.00. The invoice total was \$107,100.00 and the University only paid the vendor \$107,000.00. A review of the FIMS Crystal Reports did not indicate where the University had remitted the remainder of the total amount owed. This expenditure was for sports/death insurance coverage on athletes and was paid from the Athletics Account. Also, we believe the underpayment of a life insurance company by \$100.00 for a policy billing was a clerical oversight.

During our examination of other expenditure transactions paid from the Athletics Account, we noted several instances where WVU personnel could not provide us with various supporting documentation substantiating the transaction. Two transactions were expenditure

reductions totaling \$382.57 where University personnel could not locate any deposit documentation relating to these transactions.

Additionally, there were two expenditure transactions totaling \$872.96 for which University personnel were unable to provide us with a detailed vendor invoice documenting the goods/services provided actually benefitted the Athletics Department. Both transactions related to services provided by WVU's Physical Plant Department. Lastly, University personnel could not locate a lodging receipt for \$35.28 supporting a travel reimbursement made to an employee.

The State Auditor's Payment Processing Guide states in part on pages 14 and 15: ". . . The proper signatures for the Certificate of Receipt . . . assure that the goods or services billed for have actually been received . . . These signatures are the only practical way for the State Auditors Office to know this, . . ."

Regarding the instance of inadequate documentation relating to the travel reimbursement transaction, we believe the University is in noncompliance with Section 6.2 of Higher Education Policy Bulletin Number 47 which states,

"6.2 Receipts

6.2.1. Receipts are required for lodging reimbursement. The hotel/motel statement, invoice, or folio shall be the official document utilized for reimbursement to the traveler."

Maintaining an inadequate receiving system could result in the University being unable to properly safeguard and account for goods received. Regarding the internal control weakness noted within the Athletic Department's receiving process, we were told by both WVU officials and Athletics Department personnel that having a central receiving function was not cost effective to the University. Thus, the purchasing and receiving functions are decentralized within each department. These officials further explained that to change their current system of internal controls to correct this weakness would increase the workload of some University personnel.

We recommend WVU comply with the provisions of Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. We also recommend WVU comply with the provisions of Higher Education Policy Bulletin Number 47.

University's Response

The University believes its level of internal control is adequate in regard to purchasing. The control system that the University has developed requires the involvement of at least two different individuals within the three separate purchasing tasks: requesting, approving, and receiving. Each individual performing these tasks is assigned responsibility and authority in the system through the Athletic Department's business office. The University has documented policies and procedures that result in compliance with all state policies and procedures.

Effective for fiscal year 2002, the University has taken corrective action to implement the State Auditors' recommendations regarding miscellaneous expenditures.

Duplicate Payments

During our examination of expenditure transactions for the period July 1, 1998 through June 30, 2001, we noted two instances where duplicate payments totaling \$1,595.20 were made to various vendors. University records indicated that two payments were made to settle the same invoice. These transactions were processed through the Athletics Account.

One duplicate payment pertained to the February 1999 payment of an \$800.00 invoice from WV Radio Corporation/Metro News for advertising time. The other duplicate payment occurred during January 2001 and involved the payment of a \$795.20 invoice from Charleston Newspapers for advertising space. Regarding this transaction, one payment was processed through the State's Financial Information Accounting System (FIMS) while the other payment was made with a State Purchasing Card.

We believe these duplicate payments are in noncompliance with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, which states in part:

“Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the state treasury, shall, before any such money is paid out of the state treasury, certify to the auditor that the money for which such requisition is made is needed for present use for the purposes for which it was appropriated; and the auditor shall not issue his warrant to pay any money out of the state treasury unless he is satisfied that the same is needed for present use for such purposes.”

The effect of these expenditures is that the University did not receive the benefit of the expenditures because the services were paid for twice, but only received one time. According to University personnel, these duplicate payments were simply an oversight. We were also told the vendors who received the duplicate payments would be contacted and asked to make reimbursement.

We recommend WVU comply with the provisions of Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, and collect the amounts overpaid in duplicate payments.

University's Response

The University makes every effort to comply with the provisions of Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended. As issues arise, the University will take appropriate corrective action.

Payroll Transactions

During our examination of payroll transactions processed through the Athletics Account for the period July 1, 1999 through June 30, 2001, we noted six instances where two employees were overpaid a net total of \$587.74. The types of errors noted included the wrong base pay paid to an employee, miscalculated overtime and/or straight time, and miscalculated termination pay.

In addition, there were two instances totaling \$332.67 where the TIAA retirement deduction was not withheld from the first paycheck issued to two newly hired employees. Finally, we noted one instance where one employee's United Way payroll deduction authorization could not be located by Human Resources personnel.

We believe the above items are in noncompliance with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, which states:

“No money shall be drawn from the treasury to pay the salary of any officer or employee before his services have been rendered.”

We also believe the above items are in noncompliance with Chapter 21, Article 5C, Section 3 of the West Virginia Code, as amended, which states in part,

“(a) On and after the first day of July, one thousand nine hundred eighty, no employer shall employ any of his employees for a workweek longer than forty hours, unless such employee receives compensation for his employment in excess of the hours above specified at a rate of not less than one and one-half times the regular rate at which he is employed. . . .”

Regarding the TIAA retirement deductions which were not withheld from the aforementioned employees' gross pay, Chapter 18, Article 23, Section 4a of the West Virginia Code, as amended, states in part:

“ . . . The governing board shall also have the authority to contract for an additional retirement plan for any of its employees who elect to participate solely in such a retirement plan selected by the governing boards without participating in the state retirement system. The governing boards shall have the authority to make periodic deductions from the salary payments due such employees in the amount they are required to contribute to the additional plan, which deductions shall be the same percentage of the participating employees' salaries as that deducted from the salaries of the state retirement system. . . .”

Finally, the guidelines for efficient and effective record keeping are set forth in Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, which states in part:

“The head of each agency shall:

. . . (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights for the state and of persons directly affected by the agency’s activities. . . .”

The effect of not complying with the above requirements may allow an employee to receive more compensation than they are entitled to receive and transactions may not be substantiated due to lack of authorizing documentation. Also, the University not deducting the appropriate amount of retirement contributions from an employee’s gross pay may not allow the employee to maximize the use of such retirement contributions under their current retirement system.

We believe most of these overpayments were the result of clerical errors on the part of Athletics Department personnel during the processing of these payroll transactions. However, the resulting overpayment to one employee was attributed to a data entry error by Human Resources personnel during the preparation of the regular payroll. A Senior Administrative Assistant with the Human Resources Department told us the TIAA retirement contributions not withheld from the aforementioned employees’ gross pay was an oversight and steps would be taken to correct the situation. Finally, regarding the instance of inadequate documentation, Human Resources personnel told us this documentation was not retained for the time period involved.

We recommend WVU comply with Chapter 12, Article 3, Section 13; Chapter 21, Article 5C, Section 3; Chapter 18, Article 23, Section 4a; and Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended.

University's Response

The University makes every effort to comply with Chapter 12, Article 3, Section 13; Chapter 21, Article 5C, Section 3; Chapter 18, Article 23, Section 4a; and Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. As issues arise, the University will take appropriate corrective action.

Annual Increment

We noted four instances in which two employees' annual increment (longevity) payments were not calculated using the correct amount of State service.

One employee received \$150.00 for annual increment (longevity) in July 1999 and \$200 in July 2000. He had a total of 2.91 years of service as of July 1, 1999 and 3.92 years as of July 1, 2000; therefore, he should have received no annual increment pay in July 1999 and only \$150.00 in July 2000. These errors resulted in the employee being overpaid a total of \$200.

Another employee received \$850 for annual increment (longevity) in July 1999 and \$900.00 in July 2000. She had a total of 16.32 years of service as of July 1, 1999 and 17.33 years as of July 1, 2000; therefore, she should have received \$800 in July 1999 and \$850.00 in July 2000. These errors resulted in her being overpaid a total of \$100.00.

We believe these overpayments of annual increment are in noncompliance with Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended, which states in part,

“Effective for the fiscal year beginning the first day of July, one thousand nine hundred ninety-six, every eligible employee with three or more years of service shall receive an annual salary increase equal to fifty dollars times the employees' years of service, not to exceed twenty years of service. In each fiscal year thereafter and on the first day of July, each eligible employee shall receive an annual increment increase of fifty dollars for that fiscal year. . .”

Employees eligible to receive an annual increment are defined in Chapter 5, Article 5, Section 1 of the West Virginia Code, as amended, which states in part:

“For the purposes of this article: (1) “Eligible employee” means any regular full-time employee of the state or any spending unit thereof who is eligible for membership in any state retirement system of the state of West Virginia or other retirement plan authorized by the state. . . .”

Additionally, WVU's Policy No. WVU-HR-59 Years of Service for Longevity Purposes Policy states in part:

“. . . Years of service for longevity purposes is based upon accumulative years of service as an employee with the State of WV . . . Time worked in a temporary position will be included in the calculation of total years of service for longevity purposes, pro-rated as appropriate. . . .”

The effect of West Virginia University not properly calculating employees' years of service for annual increment (longevity) payments resulted in two employees receiving more annual increment (longevity) compensation than they were entitled to receive. After speaking with Human Resources Personnel, we believe the aforementioned instances of incorrect calculation of years of service and erroneous annual increment (longevity) payments for the first employee were the result of clerical errors in one instance and the effects of the implementation of WVU's annual increment policy quoted above regarding the second employee.

Specifically the second employee was credited with nine months of temporary service worked during fiscal year 1982 as part of her total years of State service. However, payroll records provided by University personnel indicated this employee did not contribute to a State retirement system during the time of this service. Thus, this temporary service should not have been counted as part of the employee's total years of State service. As a result, this employee received more annual increment pay than she was entitled to receive.

Under WVU's annual increment policy as cited earlier, this employee's temporary service was included as part of her total years of State service even though she did not contribute to a State retirement system on this service. The Director of Employee Relations with the Human Resources Department explained that WVU interprets the meaning of total years of State service as covered by the West Virginia Code to include temporary service as well even though an employee may not have contributed to a State retirement system while rendering this service. However, we believe WVU's policy conflicts with the aforementioned sections of the West Virginia Code and that this employee was not entitled to receive any additional annual increment compensation.

We recommend WVU comply with Chapter 5, Article 5, Sections 1 and 2 of the West Virginia Code, as amended.

University's Response

The University makes every effort to comply with Chapter 5, Article 5 Sections 1 and 2 of the West Virginia Code, as amended. As issues arise, the University will take appropriate corrective action. The University will consider the State Legislative Auditor's recommendations made to enhance its current processes.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of cash receipts, disbursements and changes in cash balances of West Virginia University's Department of Intercollegiate Athletics for the years ended June 30, 2001 and June 30, 2000. The financial statement is the responsibility of the management of West Virginia University. Our responsibility is to express an opinion on the financial statement based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statement was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenses paid of West Virginia University's Department of Intercollegiate Athletics for the years ended June 30, 2001 and June 30, 2000, on the basis of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,


Theodora L. Shanklin, CPA, Director
Legislative Post Audit Division

March 31, 2002

Auditors: Michael E. Sizemore, CPA, Supervisor
Neil M. McEachron, Jr., CPA, Auditor-in-Charge
Thomas F. Ward, CPA
David L. Penix

**WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES**

	<u>Year Ended June 30, 2001</u>		
	<u>Special Revenue</u>	<u>Local Accounts</u>	<u>Combined Totals</u>
Cash Receipts:			
Athletic Event Income/Television Receipts	\$20,628,865.44	\$ 0.00	\$20,628,865.44
Tuition and Fees	1,719,516.38	0.00	1,719,516.38
Other Collections, Fees, Licenses and Income	805,302.57	0.00	805,302.57
Athletic Department Clearing Account Deposits	0.00	1,062,497.15	1,062,497.15
Game Advances	0.00	0.00	0.00
Investment Earnings	431,015.50	6,209.26	437,224.76
Miscellaneous	<u>258.08</u>	<u>292,458.29</u>	<u>292,716.37</u>
	23,584,957.97	1,361,164.70	24,946,122.67
Disbursements:			
Personal Services	6,479,285.77	0.00	6,479,285.77
Employee Benefits	1,364,926.32	0.00	1,364,926.32
Current Expenses	9,050,776.76	0.00	9,050,776.76
Repairs and Alterations	180,421.60	0.00	180,421.60
Equipment	666,352.45	0.00	666,352.45
Debt Service	485,553.37	0.00	485,553.37
Grants, Awards, Scholarships, and Loans	361,772.99	0.00	361,772.99
Other Extraordinary Disbursements	130,694.49	0.00	130,694.49
Transfer of Funds	0.00	0.00	0.00
Buildings	377,101.53	0.00	377,101.53
Transfers to WVU Foundation	0.00	904,194.21	904,194.21
Payments to Charleston Civic Center	0.00	102,578.00	102,578.00
Game Advance Disbursements	0.00	297,731.25	297,731.25
Miscellaneous	<u>0.00</u>	<u>55,757.44</u>	<u>55,757.44</u>
	<u>19,096,885.28</u>	<u>1,360,260.90</u>	<u>20,457,146.18</u>
Cash Receipts Over/(Under) Disbursements	4,488,072.69	903.80	4,488,976.49
Beginning Balance	<u>2,687,064.50</u>	<u>2,802.83</u>	<u>2,689,867.33</u>
Ending Balance	<u>\$ 7,175,137.19</u>	<u>\$ 3,706.63</u>	<u>\$ 7,178,843.82</u>

See Notes to Financial Statement

Year Ended June 30, 2000

<u>Special Revenue</u>	<u>Local Accounts</u>	<u>Combined Totals</u>
\$14,361,819.73	\$ 0.00	\$14,361,819.73
1,794,432.32	0.00	1,794,432.32
706,344.62	0.00	706,344.62
0.00	1,050,540.23	1,050,540.23
0.00	0.00	0.00
27,200.59	6,438.19	33,638.78
<u>8,170.22</u>	<u>269,853.27</u>	<u>278,023.49</u>
16,897,967.48	1,326,831.69	18,224,799.17
6,151,771.07	0.00	6,151,771.07
1,204,577.85	0.00	1,204,577.85
7,117,946.98	0.00	7,117,946.98
151,850.37	0.00	151,850.37
444,420.61	0.00	444,420.61
481,474.56	0.00	481,474.56
400,000.00	0.00	400,000.00
68,685.64	0.00	68,685.64
37,603.77	0.00	37,603.77
49,385.63	0.00	49,385.63
0.00	939,229.00	939,229.00
0.00	75,297.00	75,297.00
0.00	283,550.75	283,550.75
<u>0.00</u>	<u>36,010.23</u>	<u>36,010.23</u>
<u>16,107,716.48</u>	<u>1,334,086.98</u>	<u>17,441,803.46</u>
790,251.00	(7,255.29)	782,995.71
<u>1,896,813.50</u>	<u>10,058.12</u>	<u>1,906,871.62</u>
<u>\$ 2,687,064.50</u>	<u>\$ 2,802.83</u>	<u>\$ 2,689,867.33</u>

WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policy

Accounting Method: The cash basis of accounting was followed for all funds. Therefore, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Combined Totals: The combined totals contain the totals of similar accounts of the various funds. Since the cash receipts of certain funds are restricted by various laws, rules and regulations, the totaling of the accounts is for memorandum purposes only and does not indicate that the combined totals are available in any manner other than that provided by such laws, rules and regulations.

Note B - Athletic Facilities Refunding Revenue Bonds 1997
Series A and the Athletic Facilities Revenue Bonds 1997 Series B

The Bonds were issued under the provisions of the West Virginia Code of 1931, as amended, particularly Chapter 18. The proceeds of the 1997 Series A Bonds were used (1) together with other funds, to refund the Prior Bonds and (2) to pay a portion of the cost of issuance of the Bonds. The proceeds of the 1997 Series B Bonds were used (1) to pay a portion of the costs of acquisition, construction and equipping of an indoor football practice center at the University, and reimburse the West Virginia University's Athletic Department Operating Fund for certain prior capital expenditures made for such purpose and (2) to pay a portion of the costs of issuance of the Bonds.

The Bonds and the interest thereon are payable solely from and secured by a first lien on and pledge of the net revenues derived from the collection of the special gate receipts and the student activity fees and certain funds held under the Athletic Facilities Indenture.

The 1997 Series A Bonds consist of \$2,445,000 Serial Bonds, with varying interest rates up to 5.20% and mature serially through May 1, 2012 and of \$805,000 of Term Bonds, bearing interest at 5.0%, with a maturity on May 1, 2016. The 1997 Series B Bonds are Term Bonds, bear interest at 5.0%, and mature May 1, 2022 and May 1, 2027. The Term Bonds maturing May 1 during the years 2016, 2022 and 2027 are subject to mandatory redemption prior to maturity. The redemption price on the Term Bonds is equal to 100% of the principal amount plus accrued interest to the mandatory redemption date beginning on May 1, 2013 through May 1, 2016 on the Series A Term Bonds and on May 1, 2016 through May 1, 2022 on the Series B Term Bonds. Beginning on May 1, 2008, the Bonds maturing on and after May 1, 2009, may be subject to redemption prior to maturity, at the option of the Board.

A summary of annual aggregate principal and interest payments for years subsequent to June 30, 2001, follows:

<u>Fiscal Year Ending June 30</u>	<u>1997 Principal Payments</u>	<u>Series A Interest (Due May 1 and November 1)</u>	<u>1997 Principal Payments</u>	<u>Series B Interest (Due May 1 and November 1)</u>	<u>Grand Total</u>
2002	\$ 140,000	\$132,470	\$ -0-	\$ 212,500	\$ 484,970
2003	145,000	126,520	-0-	212,500	484,020
2004	150,000	120,213	-0-	212,500	482,713
2005	160,000	113,538	-0-	212,500	486,038
2006	165,000	106,258	-0-	212,500	483,758
2007	175,000	98,668	-0-	212,500	486,168
2008	180,000	90,530	-0-	212,500	483,030
2009	190,000	81,980	-0-	212,500	484,480
2010	200,000	72,955	-0-	212,500	485,455
2011	210,000	63,255	-0-	212,500	485,755
2012	220,000	52,860	-0-	212,500	485,360
2013	230,000	41,860	-0-	212,500	484,360
2014	240,000	29,900	-0-	212,500	482,400
2015	255,000	17,420	-0-	212,500	484,920
2016	80,000	4,160	265,000	212,500	561,660
2017	-0-	-0-	280,000	199,250	479,250
2018	-0-	-0-	295,000	185,250	480,250
2019	-0-	-0-	310,000	170,500	480,500
2020	-0-	-0-	325,000	155,000	480,000
2021	-0-	-0-	340,000	138,750	478,750
2022	-0-	-0-	360,000	121,750	481,750
2023	-0-	-0-	375,000	103,750	478,750
2024	-0-	-0-	395,000	85,000	480,000
2025	-0-	-0-	415,000	65,250	480,250

<u>Fiscal Year Ending June 30</u>	<u>1997</u>	<u>Series A</u>	<u>1997</u>	<u>Series B</u>	<u>Grand Total</u>
	<u>Principal Payments</u>	<u>Interest (Due May 1 and November 1)</u>	<u>Principal Payments</u>	<u>Interest (Due May 1 and November 1)</u>	
2026	-0-	-0-	435,000	44,500	479,500
2027	<u>-0-</u>	<u>-0-</u>	<u>455,000</u>	<u>22,750</u>	<u>477,750</u>
Total	<u>\$2,740,000</u>	<u>\$1,152,587</u>	<u>\$4,250,000</u>	<u>\$4,479,250</u>	<u>\$12,621,837</u>

Note C - Pension Plan

All eligible employees are members of either the West Virginia State Teachers' Retirement System (STRS) or the Teachers' Insurance Annuity Association (TIAA). Effective July 1, 1991, STRS was closed to new participants.

For the West Virginia State Teachers' Retirement System, employees' contributions are 6.0% of their total annual salaries and employees are vested under certain circumstances. The University's contributions to the STRS was at the rate of 15.0% of each enrolled employee's total annual salaries for the years ended June 30, 2001 and 2000, respectively.

Each employee who participates in the Teachers' Insurance Annuity Association is required to contribute 6.0% of their total annual compensation. The University matches the employees' 6.0% contributions. Contributions are immediately and fully vested.

West Virginia University's pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
Special Revenue	<u>\$372,074.01</u>	<u>\$307,562.81</u>

SUPPLEMENTAL INFORMATION

WEST VIRGINIA UNIVERSITY
ATHLETICS FACILITIES CONSTRUCTION
AND RESERVE FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGE IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>Athletics Facilities Construction</u>		
<u>and Reserve Account - Account 4151-099/523/640</u>		
Cash Receipts:		
Athletic Event Income	\$1,059,387.45	\$938,139.06
Investment Earnings	144,116.47	0.00
Miscellaneous	0.00	7,598.46
	1,203,503.92	945,737.52
Disbursements:		
Personal Services	340,600.72	290,303.05
Employee Benefits	92,381.33	81,016.85
Current Expenses	48,405.05	49,735.92
Repairs and Alterations	58,786.67	55,045.83
Equipment	1,831.04	8,749.52
Buildings	377,101.53	49,385.63
	919,106.34	534,236.80
Cash Receipts Over Disbursements	284,397.58	411,500.72
Beginning Balance	960,314.87	548,814.15
Ending Balance	\$1,244,712.45	\$960,314.87

WEST VIRGINIA UNIVERSITY

ATHLETICS FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>Athletics Account -Account 4152-099/523/640</u>		
Cash Receipts:		
Athletic Event Income/Television Receipts	\$18,819,884.54	\$12,601,814.94
Tuition and Fees	1,719,516.38	1,794,432.32
Other Collections, Fees, Licenses, and Income	805,302.57	706,344.62
Investment Earnings	182,135.34	22,523.77
Miscellaneous	<u>258.08</u>	<u>571.76</u>
	21,527,096.91	15,125,687.41
Disbursements:		
Personal Services	6,138,685.05	5,861,468.02
Employee Benefits	1,272,544.99	1,123,561.00
Current Expenses	9,002,371.71	7,068,211.06
Repairs and Alterations	121,634.93	96,804.54
Equipment	664,521.41	435,671.09
Other Extraordinary Disbursements	126,410.11	68,685.64
Transfer of Funds	<u>0.00</u>	<u>37,603.77</u>
	<u>17,326,168.20</u>	<u>14,692,005.12</u>
Cash Receipts Over Disbursements	4,200,928.71	433,682.29
Beginning Balance	<u>1,024,980.72</u>	<u>591,298.43</u>
Ending Balance	<u>\$ 5,225,909.43</u>	<u>\$ 1,024,980.72</u>

WEST VIRGINIA UNIVERSITY
SPECIAL GATE RECEIPTS FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGE IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>Special Gate Receipts Account - Account 4154-099/523/640</u>		
Cash Receipts:		
Athletic Event Income	\$749,593.45	\$821,865.73
Investment Earnings	<u>104,763.69</u>	<u>4,676.82</u>
	854,357.14	826,542.55
Disbursements:		
Debt Service	485,553.37	481,474.56
Grants, Awards, Scholarships, and Loans	361,772.99	400,000.00
Other Extraordinary Disbursements	<u>4,284.38</u>	<u>0.00</u>
	<u>851,610.74</u>	<u>881,474.56</u>
Cash Receipts Over Disbursements	2,746.40	(54,932.01)
Beginning Balance	<u>701,768.91</u>	<u>756,700.92</u>
Ending Balance	<u>\$704,515.31</u>	<u>\$701,768.91</u>

WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
LOCAL ACCOUNTS

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>Athletic Department Clearing Account</u>		
Beginning Balance		\$ 500.00
Cash Receipts		<u>7,593,372.89</u>
TOTAL CASH TO ACCOUNT FOR		<u>\$7,593,872.89</u>
 Cash Disbursements:		
Transfers to WVU Intercollegiate Athletics	\$6,720,230.96	\$6,542,832.66
Transfers to WVU Foundation	904,194.21	939,229.00
Payments to Charleston Civic Center	102,578.00	75,297.00
Miscellaneous	<u>55,757.44</u>	<u>36,010.23</u>
	7,782,760.61	7,593,368.89
Ending Balance	<u>471.50</u>	<u>504.00</u>
TOTAL CASH ACCOUNTED FOR	<u>\$7,783,232.11</u>	<u>\$7,593,872.89</u>

WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
LOCAL ACCOUNTS

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>Game Advance Account</u>		
Beginning Balance	\$ 2,298.83	\$ 9,558.12
Cash Receipts:		
Game Advances	3,957,000.00	3,608,000.00
Miscellaneous	292,458.29	269,853.27
Interest	<u>6,209.26</u>	<u>6,438.19</u>
	4,255,667.55	3,884,291.46
TOTAL CASH TO ACCOUNT FOR	<u>\$4,257,966.38</u>	<u>\$3,893,849.58</u>
Cash Disbursements	\$4,254,731.25	\$3,891,550.75
Ending Balance	<u>3,235.13</u>	<u>2,298.83</u>
TOTAL CASH ACCOUNTED FOR	<u>\$4,257,966.38</u>	<u>\$3,893,849.58</u>

WEST VIRGINIA UNIVERSITY
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

RECONCILIATIONS

JUNE 30, 2001

Athletic Department Clearing Account

Balance per Bank		\$113,101.50
Less: Outstanding Checks		
Check No.		
	2330	130.00
	2332	12,800.00
	2335	13,600.00
	2337	10,750.00
	2341	53,048.00
	2342	10,000.00
	2343	9,552.00
	2344	1,340.00
	2345	1,260.00
	2346	150.00
		<u>112,630.00</u>
Balance per Book		<u>\$ 471.50</u>

Game Advance Account


Balance per Bank		\$3,461.68
Add: Bank Service Charges		79.09
Less: Interest		49.80
Outstanding Checks		
Check No.		
	42598	15.90
	42908	75.00
	43068	125.00
	43197	40.00
		<u>255.90</u>
Balance per Book		<u>\$3,235.07</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 9th day of June 2002.


Thedford L. Shanklin, CPA, Director
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to West Virginia University; Higher Education Policy Commission; Governor; Attorney General; and, State Auditor.