

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD

FOR THE PERIOD

APRIL 8, 1989 - JUNE 30, 1991

West Virginia



LEGISLATIVE AUDITOR

CHARLESTON

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 of the West Virginia Family Protection Services Board.

Our examination covers the period April 8, 1989 through June 30, 1991. The results of this examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 1991 and June 30, 1990 are included in this report. The financial statement covering the period April 8, 1989 through June 30, 1989 is included in our audit workpapers.

Respectfully submitted,

Theodore L. Shanklin
Theodore L. Shanklin, CPA, Director
Legislative Postaudit Division

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WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD

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WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD
EXIT CONFERENCE

We held an exit conference on February 13, 1992, with the members of the West Virginia Family Protection Services Board and representatives of the West Virginia Coalition Against Domestic Violence. All findings and recommendations were reviewed and discussed. The Board's responses are included in italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks sections of this report.

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD

INTRODUCTION

The West Virginia Family Protection Services Board was created by enactment of House Bill 2103 (Domestic Violence Act) by the Regular Session of the 1989 West Virginia Legislature on April 8, 1989 which revised Chapter 48, Article 2C of the West Virginia Code. The Board assumed those duties formally carried out by the Family Protection Subcommittee of the Governor's Committee on Crime, Delinquency and Correction.

The Family Protection Services Board is to be comprised of five members. The Governor, with the advice and consent of the Senate, appoints three members to the Board for staggered terms of three years. Of these three members, one member shall be a director of a shelter, one member shall be a member of a major trade association which represents shelters across the state and one member shall be a member of the public. The other two members who are ex-officio members shall be the Commissioner of the Department of Human Services, or his or her designee, and the Chairman of the Governor's Committee on Crime, Delinquency and Connection. In the case of the initial appointments, the director of the shelter shall serve a one-year term and the representative of the trade association shall serve a two-year term.

The Board's duties are set forth in Chapter 48, Article 2C of the West Virginia Code as follows:

- (a) Regulate its procedural practice;
- (b) Receive and consider applications for the development of shelters;
- (c) Facilitate the formation and operation of shelters;
- (d) Promulgate rules and regulations to implement the provisions of this article and any applicable federal guidelines;
- (e) Advise the commissioner on matters of concern relative to his or her responsibilities under this article;
- (f) Study issues pertinent to family protection shelters, programs for domestic violence victims, and report the results to the governor and the Legislature;
- (g) Conduct hearings as necessary under this article;

(h) Delegate to the commissioner such powers and duties of the board as the board may deem appropriate to delegate, including, but not limited to, the authority to approve, disapprove, revoke or suspend licenses;

(i) Deliver funds to shelters within forty-five days of the approval of a proposal for such shelters;

(j) Establish a system of peer review which will ensure the safety, well being and health of the clients of all shelters operating in the state;

(k) Evaluate annually each funded shelter to determine its compliance with the goals and objectives set out in its original application for funding or subsequent revisions;

(l) To award shelters, for each fiscal year, ninety-five percent of the total funds collected and paid over during the fiscal year to the special revenue account established pursuant to section twenty-four [§ 48-1-24], article one of this chapter and to expend, during said period a sum not in excess of five percent of said funds for cost of administering provisions of this article;

(m) Establish and enforce a system of standards for annual licensure for all shelters and programs in the state;

(n) Enforce standards; and

(o) Review its rules and regulations biannually.

The Board's funding is derived from a \$15.00 fee collected for marriage licenses as set forth in Chapter 48, Article 1, Section 24 of the West Virginia Code and a \$30.00 fee for each divorce filing set forth in Chapter 48, Article 2C, Section 6 of the West Virginia Code.

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD

BOARD MEMBERS

JUNE 30, 1991

<u>Members</u>	<u>Term Expires</u>
Deborah Short, Chairperson, Raleigh County; Beckley	June 30, 1993
Judy King Smith, Monongalia County; Morgantown	June 30, 1991
Kathryn Atkins, Kanawha County; Charleston	June 30, 1992
Michael A. Oliverio, Monongalia Morgantown	*
Diane Crump, Kanawha County Charleston	* *

* - By Virtue of Office as Chairman of Governor's Committee on
Crime, Delinquency and Correction

* * - By Virtue of office as designee of the Commissioner of
Bureau of Human Resources

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

COMPLIANCE MATTERS

Use of Local Bank Accounts

1. The West Virginia Department of Health and Human Resources, Bureau of Social Services at the direction of and on the behalf of the Family Protection Services Board entered into a contract with the West Virginia Coalition Against Domestic Violence (WVCADV) during fiscal years 1990 and 1991. The contract which took the form of a grant agreement was to control the transfer of Board funds from the Domestic Violence Account (9120-13) to a local bank account for subsequent allocation among the various shelters.

These funds were held in a local bank money-market checking account maintained by WVCADV or invested in short-term Certificates of Deposit at the same local bank. As of June 30, 1991, \$185,080.90 was deposited in the checking account and \$290,000.00 was invested in short-term Certificates of Deposit for a total of \$475,080.90. However, only \$100,000.00 of this amount was covered by FDIC insurance coverage. The remaining \$375,080.90 was covered by no deposit insurance coverage nor was it required to be fully collateralized by the bank which would have been the case if these monies were under the control of the West Virginia State Board of Investments.

We believe the provisions of Chapter 12, Article 2, Section 2 of the West Virginia Code does not allow the Board to transfer domestic violence funds to a local bank account which has not been approved by the State Board of Investments. Also, we believe the Board would only be able to invest funds through the State Board of Investments as provided by Chapter 12, Article 6, Section 13 of the West Virginia Code.

We recommend the Board comply with Chapter 12, Article 2, Section 2, as amended, and Chapter 12, Article 6, Section 13, as amended, of the West Virginia Code.

The Board believes that it is operating in compliance with the West Virginia Code and will seek the opinion of the Attorney General's Office regarding this issue. (See pages 12-15.)

Rules and Regulations

2. Our review of the minutes of meetings of the Family Protection Services Board showed the Board formally approved operating rules and regulations at a meeting held on October 31, 1989. Although these rules and regulations were to be filed with the Secretary of State to be effective December 1, 1989, our contact with the Secretary of State's Office shows that no rules or regulations are on file for the Family Protection Services Board. Likewise, we were unable to find any evidence of any rules and regulations having been submitted for legislative approval by the Family Protection Services Board.

We recommend the Board comply with Chapter 29A, Article 2, Section 5 and Chapter 48, Article 2C, Section 13 of the West Virginia Code.

We will comply with this audit recommendation. (See pages 15-16.)

Distribution of Funds

3. Our examination shows the Family Protection Services Board utilized only 80.77% of the funds collected in fiscal year 1990 during the ensuring year rather than 100% of prior year collections as provided for by the West Virginia Code. The total cash receipts for the year ended June 30, 1990 were \$523,649.51. However, the total grant awards paid and administrative expenses paid during the year ended June 30, 1991, totaled only

\$422,918.69. We believe this situation has contributed to the accumulation of a surplus of funds as of June 30, 1991.

We recommend the Board comply with Chapter 48, Article 2C, Section 4 of the West Virginia Code.

The Family Protection Services Board will make every attempt to project reliable figures regarding the collection of marriage license and divorce surcharge fees, and the FPSB will continue to award 95% of the total amount to licensed domestic violence programs and 5% to administration. However, because the FPSB determines the following fiscal year amounts in the third quarter of the current fiscal year, one hundred percent accuracy is difficult. The FPSB projects a conservative total in order to prevent mid-year budget reductions for the domestic violence programs. (See pages 17-18.)

Incorrect Use of Funds

4. During our audit, we noted \$23,207.74 in payments made to several domestic violence programs during fiscal year 1990 relating to the Family Violence Protection Services Act which is a federally funded program. However, it appears that no federal funds were available in the Domestic Violence Account (9120-13) at the time of these payments meaning divorce filing fees and marriage license fees belonging to the Family Protection Services Board were used.

We recommend the Board comply with Chapter 48, Article 2C, Section 6 of the West Virginia Code and seek reimbursement of \$23,207.74.

We will comply with this audit recommendation. (See pages 18-19.)

Basis of Accounting

5. The West Virginia Department of Health and Human Resources, Bureau of Social Services at the direction of and on behalf of the Family Protection Services Board entered into a contract with the West Virginia Coalition Against Domestic Violence which resulted in the Board being provided with basic staff services. The contract included provisions for the maintenance of accounting records relating to the disbursement of grant awards to shelters and administrative expenses which were to be maintained on the accrual basis of accounting. Although improvements have been made, these records are not being maintained entirely in accordance with generally accepted accounting principles.

We recommend the Board take the necessary steps to ensure that accounting records are maintained on the basis of accounting set forth in the agreement.

Effective July 1, 1992, this audit recommendation will be implemented.

(See pages 19-20.)

Travel Expenses

6. Our examination of the Board's travel expenses showed these expenses were being paid based on the travel regulations of the West Virginia Coalition Against Domestic Violence. However, the Governor's Travel Regulations state that Board members appointed by the Governor shall be governed by the Governor's Travel Regulations. No incorrect payments were made because the levels of reimbursements for mileage, meals and lodging were the same in both sets of travel regulations.

We recommend the Board take the necessary steps to ensure that travel expenses are paid in accordance with the Governor's Travel Regulations.

We have complied with this audit recommendation. (See pages 20-21.)

INTERNAL CONTROLS AND ACCOUNTINGS SYSTEM

Multiple Use of Domestic Violence Account

7. Our examination showed the Department of Health and Human Resources is utilizing the Domestic Violence Account (9120-13) for multiple purposes. During the audit period, the account contained marriage license fees and divorce filing fees belonging to the Family Protection Services Board as well as \$100,000.00 of federal funds derived from the Family Violence Protection Services Act.

We noted \$23,207.74 of funds belonging to the Family Protection Services Board had been incorrectly used to make grant payments related to the federal program. Our discussions with employees in the Department of Health and Human Resources indicated they were not aware that Family Protection Services Board funds had been used to make these payments.

We recommend the Board consider requesting the Department of Health and Human Resources establish a separate special revenue account to hold funds belonging to the Board. If not, we recommend the Board take the necessary steps to ensure that Board funds are properly accounted for and thereby available for use by the Board when needed.

We will comply with this audit recommendation. (See page 23.)

Reimbursement Due Local Grant Account

8. Our examination of the Board's local bank accounts showed the account used to disburse grant awards incurred \$12.45 of miscellaneous expenses for checks. These disbursements were made from the WVCADV-FP (Grant Account)

at the local bank but were correctly recorded in the accounting records for the WVCADV-FP (Administrative Account). In accordance with the provisions of the West Virginia Code, these miscellaneous expenses should have been paid from administrative funds.

We recommend the Board transfer \$12.45 from the WVCADV-FP (Administrative Account) to the WVCADV-FP (Grant Account) to balance the accounts. Also, we recommend the Board strengthen internal controls over bank reconciliations.

We have complied with this audit recommendation. (See page 24.)

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the West Virginia Family Protection Services Board. The audit covered the period April 8, 1989 through June 30, 1991.

SPECIAL REVENUE ACCOUNTS

During the audit period, the West Virginia Family Protection Services Board maintained three special revenue accounts. The accounts were used to account for the proceeds of special revenue sources or to finance specified activities as required by law or administrative regulations. The following special revenue accounts were active during the audit period:

<u>Number</u>	<u>Description</u>
8026-22	Domestic Violence - Operations Additional marriage license fees transferred from Account 8125-14 and investments; to build and maintain local family protection shelters.
8026-23	Domestic Violence - Administration Additional marriage license fees transferred from Account 8125-14 and investments; to pay for administrative expenses.
9120-13	Domestic Violence - Marriage license fees and divorce fees; for domestic violence services.

LOCAL ACCOUNTS

During the audit period, the West Virginia Family Protection Services Board maintained two local bank accounts. These accounts were used to transfer grant funds to the various shelters around the State of West Virginia and the payment of various administrative expenses. The accounts were under the direct

control of the West Virginia Coalition Against Domestic Violence based on a contract between this non-profit entity and the West Virginia Department of Health and Human Resources, Bureau of Social Services at the direction of and on behalf of the Family Protection Services Board. A description of each of the accounts follows:

West Virginia Coalition Against Domestic Violence -
Family Protection (Grant Account)

Transfers from Domestic Violence Account (9120-13), interest and proceeds from maturity of Certificates of Deposit; to make grant awards to shelters and purchase Certificates of Deposit.

West Virginia Coalition Against Domestic Violence -
Family Protection (Administrative Account)

Transfers from Domestic Violence Account (9120-13) and interest; to pay administrative expenses.

COMPLIANCE MATTERS

Chapter 48, Article 1, Section 24 and Chapter 48, Article 2C of the West Virginia Code generally govern the West Virginia Family Protection Services Board. We tested applicable sections of the above plus general State regulations and other applicable chapters, articles, and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are discussed below.

Use of Local Bank Accounts

Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, states in part,

"... The state board of investments shall have authority to establish an imprest fund or funds in the office of any state agency or institution making proper application to the board...."

Under the authority found in this particular Code section, the West Virginia State Board of Investments authorizes the establishment of local bank accounts for use by state agencies.

The West Virginia Department of Health and Human Resources, Bureau of Social Services at the direction of and on the behalf of the Family Protection

Services Board entered into a contract with the West Virginia Coalition Against Domestic Violence (WVCADV) during fiscal years 1990 and 1991. The contract which took the form of a grant agreement was to control the transfer of Board funds from the Domestic Violence Account (9120-13) to a local bank account for subsequent allocation among the various shelters. However, our examination indicates the State Board of Investments had not approved the use of any local bank accounts by the Family Protection Services Board. In accordance with the contract, \$456,166.00 and \$425,000.00 was transferred in fiscal years 1990 and 1991, respectively, to a local bank money-market checking account maintained by WVCADV or invested in short-term Certificates of Deposit at the same local bank.

As of June 30, 1991, \$185,080.90 was deposited in the checking account and \$290,000.00 was invested in short-term Certificates of Deposit for a total of \$475,080.90. However, since these funds were not recognized by the bank as State funds, \$100,000.00 was covered by FDIC insurance but the remaining \$375,080.90 was covered by no deposit insurance coverage nor was it required to be fully collateralized by the bank which would have been the case if these monies were under the control of the West Virginia State Board of Investments.

We believe the provisions of the Code does not allow the Board to transfer domestic violence funds to a local bank account which has not been approved by the State Board of Investments. In addition, the use of this unapproved local bank account subjects the Board to the unnecessary possibility of a loss of funds deposited in excess of the \$100,000.00 of FDIC insurance coverage in the event of the failure of the bank.

Further, Chapter 12, Article 6, Section 13 of the West Virginia Code, as amended, regarding the State Board of Investments states,

"All duties vested by law in any agency, commission, official or other board of the State relating to the investment of moneys, and the acquisition, sale, exchange or disposal of securities or any other investment are hereby transferred to the board, and the board shall be the sole agency for the investment of pension funds and state funds: Provided, That

neither this section nor any other section of this article shall apply to the "board of the school fund" and the "school fund" established by section 4 of article XII of the state Constitution: Provided, however, That funds under the control of the municipal bond commission, may in the discretion of the commission; be made available to the board for investment to be invested by the commission as provided in article three [§ 13-3-1 et seq.], chapter thirteen of this code."

It appears the Family Protection Services Board would only be able to invest funds through the State Board of Investments as provided by Chapter 12, Article 6, Section 8(c) of the West Virginia Code, as amended, which states in part,

"...(c) Each board, commission, department, official or agency charged with the administration of state funds is hereby authorized to make moneys available for investment...."

Therefore, we believe the practice of investing funds in local bank Certificates of Deposit violates the provisions of Chapter 12, Article 6, Section 13 of the West Virginia Code.

We recommend the Board comply with Chapter 12, Article 2, Section 2, as amended, and Chapter 12, Article 6, Section 13, as amended, of the West Virginia Code.

One of the primary concerns of the Family Protection Services Board is to distribute funds from the marriage license and divorce surcharge fees in an efficient and effective manner to licensed domestic violence programs (48-2C-4(I)). The best interest of domestic violence programs is central to the FPSB's decision-making process. In return the FPSB requires from the programs professional and accurate accountability for use of funds distributed by the FPSB.

At its meeting on December 18, 1989, the FPSB decided to authorize the immediate transfer of Family Protection monies from a state special revenue account to a restricted account in a local bank in order to maximize the efficient distribution of funds to licensed domestic violence programs.

In January, 1990, because of concern that Family Protection funds were not being moved into direct service programs in a timely manner, a small group met to develop a mechanism for moving Family Protection funds into direct service

programs. Those present at this meeting were Don Adams, Chief Clerk of the Auditor's Office; Ramona Kinneberg, Deputy Secretary of DHHR; Claire Leviner, Director of Contracted Services of DHHR; Deborah Short, Chair of the Family Protection Services Board; Tom Susman, WV House of Delegates. This group developed a funding process for moving funds through DHHR to a private agency for distribution to licensed domestic violence programs. This process was recommended by representatives of the Health and Human Resources Committee of the House of Delegates, the Department of Health and Human Resources, and the WV Auditor's Office. The Family Protection Services Board accepted this recommendation as within its authority granted by the WV Code.

The FPSB will address and resolve this issue during the current year.

Process

1. The FPSB believes that it is operating in compliance with the WV Code.
2. The FPSB will seek the opinion of the Attorney General's office regarding this issue.
3. The FPSB will develop a plan and timeline for on-going investment procedures.
4. The FPSB will implement that plan.

Rules and Regulations

Chapter 29A, Article 2, Section 5 of the West Virginia Code states in part,

"(a) Notwithstanding any filing prior to the effective date of this section (May 11, 1982), each agency shall hereafter file in the state register a certified copy of all of its lawfully adopted rules which are in force on the date of such filing and all of its proposed rules which have not become effective prior to the date of such filing...."

Our review of the minutes of meetings of the Family Protection Services Board showed the Board formally approved operating rules and regulations at a meeting held on October 31, 1989. Although these rules and regulations were to be filed with the Secretary of State to be effective December 1, 1989, our contact with the Secretary of State's Office shows that no rules and regulations are on file for the Family Protection Services Board.

Also, Chapter 48, Article 2C, Section 13 of the West Virginia Code states,

"The board shall promulgate rules and regulations to effectuate the provisions of this article. The rules and regulations shall not take effect until the first set of rules and regulations are approved by the Legislature."

Likewise, we were unable to find any evidence of any rules and regulations having been submitted for legislative approval by the Family Protection Services Board. We informed the Board's staff of the lack of properly filed and approved rules and regulations, however, we were unable to discover why the rules and regulations had not been filed. Without official rules and regulations, procedural decisions of the Board could be questioned.

We recommend the Board comply with Chapter 29A, Article 2, Section 5 and Chapter 48, Article 2C, Section 13 of the West Virginia Code.

On October 31, 1989, the Family Protection Services Board approved operating rules and regulations. On January 29, 1990, these Rules and Regulations were sent to the Secretary of State's office with a cover letter from the Chair of the FPSB. The FPSB believed its Rules and Regulations were filed and effective upon receipt.

In August of 1990, the FPSB recognized the inadequacies of its Rules and Regulations and acknowledged a need to revise them. In November of 1991, the FPSB became aware that the Rules and Regulations governing its Board were in fact not filed with the Secretary of State. The FPSB immediately began a process of revising its Rules and Regulations for filing.

The FPSB will re-submit a completed revision during 1992.

Process

Two members of the FPSB will develop and present a draft of the Rules and Regulations to the full Board for approval by May 21, 1992. These Rules and Regulations will then be filed with the Secretary of State's office.

Distribution of Funds

Chapter 48, Article 2C, Section 4 of the West Virginia Code states in part concerning the duties of the Family Protection Services Board,

"...(1) To award shelters, for each fiscal year, ninety-five percent of the total funds collected and paid over during the fiscal year to the special revenue account established pursuant to section twenty-four [§48-1-24], article one of this chapter and to expend, during said period a sum not in excess of five percent of said funds for cost of administering provisions of this article;..."

Our examination shows the Board apparently did not comply with these provisions of the West Virginia Code during fiscal year 1991.

The total cash receipts for the year ended June 30, 1990 were \$523,649.51. However, the total grant awards paid and administrative expenses paid during the year ended June 30, 1991 totaled only \$422,918.69. Therefore, the Board utilized only 80.77% of the funds collected in fiscal year 1990 during the ensuing year rather than 100% of prior year collections as set forth in the Code. We believe this situation has contributed to the accumulation of a surplus of funds as of June 30, 1991.

We recommend the Board comply with Chapter 48, Article 2C, Section 4 of the West Virginia Code.

According to the law, marriage license and divorce surcharge fees are collected in a special revenue account the year prior to distribution of these funds to domestic violence programs.

In March 1990, the Family Protection Services Board took a conservative approach in estimating the total amount of funds that would be available for distribution to licensed domestic violence programs the following year. This decision was made due to the FPSB's lack of history upon which to project accurate totals. The conservative estimate created a surplus; these monies were incorporated into the projected allocation for the following year.

After determining the amount available for FY 90-91 the Family Protection Services Board did award 95% of the total amount to licensed domestic violence programs and 5% to administration.

Process

The Family Protection Services Board's funding formula is based on a non-competitive philosophy that is consistent with funding principles which guide the domestic violence shelter movement in West Virginia. The FPSB is now in the process of developing a three-year funding formula in order to provide licensed domestic violence programs with funding stability and consistency and with a funding base for programs to develop long-range financial plans.

At the quarterly meeting of the West Virginia Coalition Against Domestic Violence the FPSB received input from licensed domestic violence programs regarding the development of a fair and equitable funding formula. The Family Protection Services Board will make every attempt to project reliable figures regarding the collection of marriage license and divorce surcharge fees, and the FPSB will continue to award 95% of the total amount to licensed domestic violence programs and 5% to administration. However, because the FPSB determines the following fiscal year amounts in the third quarter of the current fiscal year, one hundred percent accuracy is difficult. The FPSB projects a conservative total in order to prevent mid-year budget reductions for the domestic violence programs.

Incorrect Use of Funds

Chapter 48, Article 2C, Section 6 of the West Virginia Code states,

"In addition to any fee heretofore established for the filing of a divorce petition, the clerk of the circuit court shall collect an additional fee of thirty dollars. The fee shall be deposited in the special revenue fund established pursuant to section twenty-four [§48-1-24], article one, chapter forty-eight of this code: Provided, That such additional fee shall not be collected by the clerk from persons complying with the provisions of section one [§59-2-1], article two, chapter fifty-nine of this code pertaining to suits filed by poor persons."

During our audit, we noted \$23,207.74 in payments made to several domestic violence programs during fiscal year 1990. Further review showed these payments related to the Family Violence Protection Services Act which is a federally funded program. However, it appears that no federal funds were available in the Domestic Violence Account (9120-13) at the time these payments were made. Accordingly, these payments were incorrectly made by the Department of Health and Human Resources using divorce filing fees and marriage license fees belonging to the Family Protection Services Board. We discussed the use of Board fees with departmental representatives; however, we were unable to learn why these payments were made with incorrect funds.

We recommend the Board comply with Chapter 48, Article 2C, Section 6 of the West Virginia Code and seek reimbursement of \$23,207.74.

Members of the Family Protection Services Board were not aware that the Department of Health and Human Resources had used \$23,207.74 of Family Protection Services Board funds to make grant payments to federal Family Violence Prevention and Services Act awards.

Process

The Family Protection Service Board will write a letter seeking reimbursement of \$23,207.74 from the Department of Health and Human Resources and requesting DHHR to remove all federal and state funds inappropriately deposited in the Family Protection special revenue account.

Basis of Accounting

The West Virginia Department of Health and Human Resources, Bureau of Social Services at the direction of and on the behalf of the Family Protection Services Board entered into a contract with the West Virginia Coalition Against Domestic Violence which resulted in the Board being provided with basic staff services. Among those services provided was the maintenance of accounting records relating to the disbursement of grant awards to shelters and administrative

expenses. The contract which took the form of a grant agreement between the two parties stated in part,

"... 4. That the Coalition agrees to carry out the direction of the Board and to disburse such funds only for authorized purposes. The Coalition also agrees to maintain accurate records in accordance with generally accepted accounting principles and procedures, so as to reflect all receipts and allowable expenditures...."

We reviewed the accounting records and found these records were not maintained entirely in accordance with generally accepted accounting principles. Although improvements had been made during the contract period, the accounting for allocations of grant funding provided to each shelter is still being reflected in accordance with the cash basis of accounting. These payments are shown as an expense of the Board immediately upon the drawing of a check made payable to the shelter from the local bank account. We believe generally accepted accounting principles dictate that these payments should be shown as funding advances and subsequently expensed when the shelters provide adequate documentation supporting the use of these funds. Therefore, we believe the accounting procedures being utilized do not comply with the terms of the agreement.

We recommend the Board take the necessary steps to ensure that accounting records are maintained on the basis of accounting set forth in the agreement.

The Family Protection Services Board values the maintenance of accurate records in accordance with generally accepted accounting principles and procedures.

Process

Effective July 1, 1992, the Family Protection Services Board has taken the necessary steps to ensure that accounting records are maintained on the accrual basis of accounting set forth in the agreement.

Travel Expenses

Our examination of travel expenses paid from the Board's administrative funds showed these expenses were being paid based on the travel regulations of the West Virginia Coalition Against Domestic Violence. However, this situation did

not result in any incorrect payments to Board members or Coalition staff during the audit period because these regulations provided the same levels of reimbursements for mileage, meals and lodging as the Governor's Travel Regulations.

Page 20 of the Governor's Travel Regulations states in part,

"... Any request for an exception to these rules must be accompanied by a letter to the State Travel Director explaining the need for such exception.... Board and/or Commission members appointed by the Governor shall also be governed by these regulations, as will persons performing contractual work for the State...."

Our discussions with Coalition staff indicated they were not aware of the provisions of the Governor's Travel Regulations. Therefore, the fact that apparently no incorrect reimbursements occurred was merely coincidental.

We recommend the Board take the necessary steps to ensure that travel expenses are paid in accordance with the Governor's Travel Regulations.

The FPSB staff were not aware that the FPSB was required to use the Governor's Travel Regulations. Travel reimbursement was based on the WVCADV's Travel Policies.

Process

The Family Protection Services Board has taken the following steps to ensure travel expenses are paid in accordance with the Governor's Travel Regulations: 1) A copy of the Governor's Travel Regulations was sent to the FPSB staff and Board members; 2) FPSB staff developed a Travel Expense Form to reflect the Governor's Travel Regulations.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

As a part of our examination, we reviewed and tested the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance

thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting control for the period April 8, 1989 to June 30, 1991, which was made for the purposes set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed conditions that we believe to be weaknesses.

Multiple Use of Domestic Violence Account

As discussed in the "Compliance Matters" portion of the general remarks section of this report under the heading entitled "Incorrect Use of Funds", the Department of Health and Human Resources is utilizing the Domestic Violence Account (9120-13) for multiple purposes. During the audit period, the account contained marriage license fees and divorce filing fees belonging to the Family Protection Services Board as well as \$100,000.00 of federal funds derived from the Family Violence Protection Services Act.

The finding referenced above indicated that funds belonging to the Family Protection Services Board had been incorrectly used to make grant payments related to the federal program. Our discussions with employees in the Department of Health and Human Resources seems to indicate they were not aware that Family Protection Services Board funds had been used to make these payments.

We recommend the Board consider requesting the Department of Health and Human Resources establish a separate State special revenue account to hold funds belonging to the Board. If not, we recommend the Board take the necessary steps to ensure that Board funds are properly accounted for and thereby available for use by the Board when needed.

Members of the Family Protection Services Board were not aware that the Department of Health and Human Resources had used \$23,207.74 of Family Protection Services Board funds to make grant payments related to federal Family Violence Prevention and Services Act awards.

Process

The Family Protection Services Board will write a letter seeking reimbursement of \$23,207.74 from the Department of Health and Human Resources and requesting DHHR to remove all federal and state funds inappropriately deposited in the Family Protection special revenue account.

Reimbursement Due Local Grant Account

Our examination of the Board's local bank accounts showed the account used to disburse grant awards incurred \$12.45 of miscellaneous expenses for checks. These disbursements were made from the WVCADV-FP (Grant Account) at the local bank but were correctly recorded in the accounting records for the WVCADV-FP (Administrative Account). In accordance with the provisions of the West Virginia Code, these miscellaneous expenses should have been paid from administrative funds.

We informed the Board's staff that \$12.45 should be transferred from the WVCADV-FP (Administrative Account) to the WVCADV-FP (Grant Account) to properly balance these accounts and the staff has agreed that this reimbursement should be made. This situation indicates that the cash balance of each account as shown in the accounting records is not being reconciled timely with the cash balance of the corresponding bank accounts.

We recommend the Board transfer \$12.45 from the WVCADV-FP (Administrative Account) to the WVCADV-FP (Grant Account) to balance the accounts. Also, we recommend the Board strengthen internal controls over bank reconciliations.

The FPSB bank accounts are reconciled on a monthly basis by the FPSB staff. The cost of printing checks for the Grant Account was \$12.45; this amount was shown on the bank statement of the Grant Account and was subsequently posted to the Administrative Account without reimbursement to the Grant Account.

Process

From the Administrative Account, the FPSB reimbursed the Grant Account \$12.45.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of cash receipts, disbursements and changes in fund balance of the West Virginia Family Protection Services Board for the years ended June 30, 1991 and June 30, 1990. The financial statement is the responsibility of the management of the West Virginia Family Protection Services Board. Our responsibility is to express an opinion on the financial statement based on our audit.

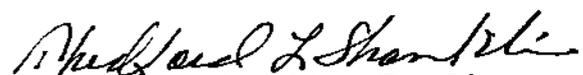
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis evidence supporting 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 basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenue collected and expenses paid of the West Virginia Family Protection Services Board for the years ended June 30, 1991 and June 30, 1990, 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,


Theodor L. Shanklin, CPA, Director
Legislative Postaudit Division

October 23, 1991

Auditor: Michael E. Sizemore, CPA, Supervisor

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN FUND BALANCE

	<u>Year Ended June 30,</u>	
	<u>1991</u>	<u>1990</u>
Cash Receipts:		
Divorce Fees	\$297,855.00	\$319,580.00
Marriage Fees	201,000.00	201,000.00
Interest	24,605.09	3,069.51
	<u>523,460.09</u>	<u>523,649.51</u>
Disbursements:		
Personal Services	-0-	511.32
Current Expenses	-0-	198.48
Grant Awards to Shelters	392,989.00	233,755.89
Incorrect Payments Under Family Violence Act - Federal Programs	-0-	23,207.74
Miscellaneous Expenses	12.45	-0-
	<u>393,001.45</u>	<u>257,673.43</u>
Cash Receipts Over Disbursements	130,458.64	265,976.08
Beginning Balance	505,662.52	247,370.45
Transfer of Administrative Grant Funds to West Virginia Coalition Against Domestic Violence	<u>(29,917.24)</u>	<u>(7,684.01)</u>
Ending Balance	<u>\$606,203.92</u>	<u>\$505,662.52</u>

See Notes to Financial Statement

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policies

Accounting Method: The cash basis of accounting is followed. Therefore, certain revenue and 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.

Note B - Refund Due Family Protection Services Board

As a result of payments made under the Family Violence Protection Services Act (Federal Program) as disclosed in the "Compliance Matters" portion of the general remarks section of this audit report under the heading entitled "Incorrect Use of Funds", the Family Protection Services Board is due a refund totaling \$23,207.74 as of June 30, 1991.

SUPPLEMENTAL INFORMATION

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD
 STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCE
 SPECIAL REVENUE

	Year Ended June 30,	
	1991	1990
<u>Domestic Violence - Operations -</u>		
<u>Account 8026-22</u>		
Cash Receipts	\$-0-	\$ -0-
Disbursements:		
Grant Awards to Shelters	-0-	37,921.89
Transfers to Domestic Violence - Account (9120-13)	-0-	13,303.50
	-0-	51,225.39
Cash Receipts (Under) Disbursements	-0-	(51,225.39)
Beginning Balance	-0-	51,225.39
Ending Balance	\$-0-	\$ -0-
 <u>Domestic Violence - Administration -</u>		
<u>Account 8026-23</u>		
Cash Receipts	\$-0-	\$ -0-
Disbursements:		
Personal Services	-0-	511.32
Current Expenses	-0-	198.48
	-0-	709.80
Cash Receipts (Under) Disbursements	-0-	(709.80)
Beginning Balance	-0-	709.80
Ending Balance	\$-0-	\$ -0-

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	Year Ended June 30,	
	1991	1990
<u>Domestic Violence - Account 9120-13</u>		
Cash Receipts:		
Divorce Fees	\$276,735.00	\$319,580.00
Transfers from Family Protection Shelters - Account (8125-14)	201,000.00	201,000.00
Transfers from Domestic Violence - Operations - Account (8026-22)	-0-	13,303.50
Transfers from Family Law Masters Fund - Account (9150-12) to correct error	21,120.00	-0-
	498,855.00	533,883.50
Disbursements:		
Grants to West Virginia Coalition Against Domestic Violence	425,000.00	456,166.00
Grant Awards to Shelters	-0-	192,677.00
Incorrect Payments Under Family Violence Act	-0-	23,207.74
	425,000.00	672,050.74
Cash Receipts Over (Under) Disbursements	73,855.00	(138,167.24)
Beginning Balance	57,268.02	195,435.26
Ending Balance	\$131,123.02	\$ 57,268.02

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

LOCAL

	<u>Year Ended June 30,</u>	
	<u>1991</u>	<u>1990</u>
<u>West Virginia Coalition Against</u>		
<u>Domestic Violence - Family</u>		
<u>Protection (Grant Account)</u>		
Cash Receipts:		
Transfers from Domestic Violence Account (9120-13)	\$285,000.00	\$251,166.00
Proceeds from Certificates of Deposit	115,000.00	-0-
Interest	24,594.91	2,978.44
Reimbursements	46.70	-0-
	<u>424,641.61</u>	<u>254,144.44</u>
Disbursements:		
Grant Awards to Shelters	392,989.00	3,157.00
Withdrawals to Purchase Certificate of Deposit	65,000.00	-0-
Transfers to pay Administrative Expenses	22,500.00	10,000.00
Miscellaneous Expenses	59.15	-0-
	<u>480,548.15</u>	<u>13,157.00</u>
Cash Receipts (Under) Over Disbursements	(55,906.54)	240,987.44
Beginning Balance	<u>240,987.44</u>	<u>-0-</u>
Ending Balance	<u>\$185,080.90</u>	<u>\$240,987.44</u>

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

LOCAL

	<u>Year Ended June 30,</u>	
	<u>1991</u>	<u>1990</u>
<u>West Virginia Coalition Against</u>		
<u>Domestic Violence - Family</u>		
<u>Protection (Administrative Account)</u>		
Cash Receipts:		
Transfers from Domestic Violence Account (9120-13)	\$ -0-	\$ 5,000.00
Transfers from WVCADV - FP (Grant Account)	-0-	10,000.00
Interest	10.18	91.07
	<u>10.18</u>	<u>15,091.07</u>
Disbursements:		
Current Expenses	-0-	7,684.01
Transfers to West Virginia Coalition Against Domestic Violence	7,417.24	-0-
	<u>7,417.24</u>	<u>7,684.01</u>
Cash Receipts (Under) Over Disbursements	(7,407.06)	7,407.06
Beginning Balance	<u>7,407.06</u>	<u>-0-</u>
Ending Balance	<u>\$ -0-</u>	<u>\$ 7,407.06</u>

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD
STATEMENT OF CHANGES IN INVESTMENT BALANCE

	Year Ended June 30,	
	1991	1990
<u>West Virginia Coalition Against Domestic Violence - Family Protection - Investments</u>		
Additions:		
Transfers from Domestic Violence Account (9120-13)	\$140,000.00	\$200,000.00
Transfers from Grant Account to Purchase Certificate of Deposit	65,000.00	-0-
	205,000.00	200,000.00
Withdrawals:		
Transfers to Grant Account to pay Grant Awards	115,000.00	-0-
Additions Over Withdrawals	90,000.00	200,000.00
Beginning Balance	200,000.00	-0-
Ending Balance	\$290,000.00	\$200,000.00

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD

RECONCILIATIONS

JUNE 30, 1991

Domestic Violence - Operations -
Account 8026-22

Balance per State Treasury and Agency

\$ -0-

Domestic Violence - Administration -
Account 8026-23

Balance per State Treasury and Agency

\$ -0-

Domestic Violence - Account 9120-13

Balance per State Treasury
Less: Federal Funds - Family Protection
Services Act

\$186,134.47

55,011.45

Balance per Agency

\$131,123.02

WEST VIRGINIA FAMILY PROTECTION SERVICES BOARD

BANK RECONCILIATIONS

JUNE 30, 1991

West Virginia Coalition Against
Domestic Account - Family Protection
(Grant Account)

Balance per Bank and Book

\$185,080.90

West Virginia Coalition Against
Domestic Account - Family Protection
(Administrative Account)

Balance per Bank and Book

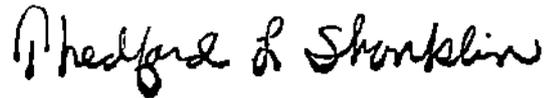
\$ -0-

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Postaudit Division, do hereby certify that the report of audit 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 18th day of May, 1992.



Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the Secretary of the Department of Health and Human Resources; Commissioner of the Bureau of Human Resources; each member of the West Virginia Family Protection Services Board; Governor; Attorney General; and State Auditor.