

STATE OF WEST VIRGINIA

**AUDIT REPORT
OF**

**GOVERNOR'S CABINET ON
CHILDREN AND FAMILIES
CHILDREN'S FUND**

FOR THE PERIOD

JULY 1, 1997 - JUNE 30, 1998



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

CHILDREN'S FUND

FOR THE PERIOD

JULY 1, 1997 - JUNE 30, 1998

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Theford L. Shanklin, CPA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.



Area Code (304)
Phone: 347-4880
Fax: 347-4889

CHARLESTON, WEST VIRGINIA 25305-0610

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code Chapter 5, Article 26, Section 6, as amended, we have examined the accounts of the Governor's Cabinet on Children and Families, Children's Fund.

Our examination covers the period July 1, 1997 through June 30, 1998. The results of this examination are set forth on the following pages of this report.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Theford L. Shanklin".

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

TLS/cal

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

CHILDREN'S FUND

TABLE OF CONTENTS

Exit Conference	1
Introduction	2
Cabinet Members	4
Administrative Officers and Staff	6
Summary of Findings, Recommendations and Responses	7
General Remarks	8
Independent Auditors' Opinion	13
Statement of Cash Receipts, Disbursements and Changes in Fund Balance	15
Notes to Financial Statement	16
Supplemental Information	17
Certificate of Director, Legislative Post Audit Division .	23

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

CHILDREN'S FUND

EXIT CONFERENCE

We held an exit conference on April 13, 1999, with the Director and other representatives of the Governor's Cabinet on Children and Families and the contents of the audit report were reviewed and discussed. The above officials' responses are included in italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks section of this report.

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

CHILDREN'S FUND

INTRODUCTION

The Children's Fund was created by the West Virginia Legislature under Senate Bill No. 1 during the Third Extraordinary Session of the 1990 West Virginia Legislature. The Legislature finds that the early years of life are a critical developmental and educational stage in the total life cycle and declares that parents are the children's first teachers and have the primary responsibility for meeting the needs and addressing the development of their children. However, families can experience severe crisis which result in life-threatening situations to children or other family members or can have long-term negative impact on the child.

The Children's Fund shall consist of any moneys deposited in the Children's Trust Fund created pursuant to Chapter 49, Article 6C, Section 1 of the West Virginia Code which was repealed by Senate Bill No. 1 and any interest accruing to such fund. Also, the Children's Fund shall consist of federal funds and grants, gifts, bequests or donations, any appropriated funds and voluntary contributions of a portion of refunds due taxpayers. The Children's Fund is to be used by the Governor's Cabinet on Children and Families for any purpose required or authorized by the Cabinet.

In addition to such other administrative heads of government as the Governor may appoint to the Cabinet, the Cabinet

shall include the Secretary of Health and Human Resources; the Secretary of Commerce, Labor and Environmental Resources or a designee; the Secretary of Administration or a designee; the State Superintendent of Schools; the Attorney General; and one member of the State Senate, to be appointed by the Governor; and one member of the House of Delegates, to be appointed by the Governor, both of whom shall serve in an advisory capacity only. The Cabinet shall be chaired by the Governor and shall convene monthly during the first year and thereafter shall meet at least quarterly.

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

CHILDREN'S FUND

CABINET MEMBERS

JUNE 30, 1998

The Honorable Cecil Underwood, Chair
Governor Charleston

Hovah Underwood, Honorary Chair Charleston

The Honorable Darrell McGraw
Attorney General Charleston

David R. Ice
Secretary, Department of Education and the Arts . . . Charleston

Joan E. Ohl
Secretary, Department of Health
and Human Resources Charleston

Joseph Markus
Secretary, Department of Administration Charleston

William F. Vieweg
Commissioner, Bureau of Employment Programs Charleston

Dr. Donald Weston
Vice Chancellor for Health Sciences,
University System of West Virginia Charleston

Dr. Henry Marockie
Superintendent, State Department of Education . . . Charleston

Otis Cox
Secretary, Department of Military Affairs
and Public Safety Charleston

Essa Howard
Office of Economic Opportunity Charleston

Bill Herring
Office of the Governor Charleston

Citizen Representatives

Gail Foley Greenwood
Francie Roberts-Buchanan Huntington
Lyle Sattes Charleston
Teri Toothman Wheeling

ADVISORY

The Honorable Martha Walker,
West Virginia State Senate Charleston
The Honorable Charles Trump, IV
West Virginia House of Delegates Berkeley Springs

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

CHILDREN'S FUND

ADMINISTRATIVE OFFICERS AND STAFF

JUNE 30, 1998

Dr. Dallas Bailey Director
Barbara Gebhard Deputy Director
Nancy Malecek Fiscal Officer
Steve Heasley Funding and Program Specialist
Debbie Waller Executive Secretary

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

Duplicate Reimbursements

1. Eight expenditures totaling \$7,459.51 made from the Children's Fund 1011-099 were reimbursed twice by monies transferred from the Federal Revenue Fund 8792-096.

We recommend the Cabinet comply with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended. We also recommend the Cabinet make reimbursement to the Federal Revenue Fund 8792 in the amount of \$7,459.51.

Agency's Response

We will comply with the audit recommendations by adjusting our draw down of Federal funds in the current fiscal year. (See pages 9 - 12.)

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

CHILDREN'S FUND

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the Governor's Cabinet on Children and Families, Children's Fund as required by Chapter 5, Article 26, Section 6 of the West Virginia Code, as amended. The audit covered the period July 1, 1997 through June 30, 1998.

SPECIAL REVENUE ACCOUNT

All expenditures for the programmatic operations of the Governor's Cabinet on Children and Families, Children's Fund are made from the Special Revenue Operating Fund Number 1011.

FEDERAL PROGRAMS ACCOUNT

All expenditures relating to the Federal program revenues received by the Governor's Cabinet on Children and Families, Children's Fund are made from the Federal Grants and Contracts Fund Number 8792.

COMPLIANCE MATTERS

Chapter 5, Article 26, of the West Virginia Code generally governs the Governor's Cabinet on Children and Families, Children's Fund. 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 listed below.

Duplicate Reimbursements

We noted eight expenditures totaling \$7,459.51 made from the Children's Fund 1011-099 were reimbursed twice by monies transferred from the Federal Revenue Fund 8792-096. Therefore, Federal monies were transferred for expenditures not incurred by the Children's Fund.

The duplicate reimbursements were made with Federal monies received from the United States Department of Health and Human Services' (DHHS) 1996 and 1997 Community-Based Family Resource Program Grants (CBFRP-95 and CBFRP-96). As a condition of the grant agreements, the Cabinet is required to submit annual fiscal reports to DHHS that summarize program expenditures. The duplicate reimbursements made with the CBFRP-95 grant monies totaled \$4,688.03 and the final annual fiscal report for these monies was submitted on February 6, 1998. Since the report included the duplicate reimbursements as CBFRP-95 program expenditures, the report was inaccurate. As of November 16, 1998, the final report for the CBFRP-96 grant from which another \$2,771.48 in duplicate reimbursements were paid had not yet been submitted.

Each initial reimbursement is shown below followed by its respective duplicate reimbursement:

<u>WVFIMS Document Number</u>	<u>Date</u>	<u>Amount of Reimbursement</u>	<u>Excess Reimbursement</u>
E 204471	12/24/96	\$ 314.28	\$ 0.00
E 248916	11/25/97	\$ 314.28	\$ 314.28

<u>WVFIMS Document Number</u>	<u>Date</u>	<u>Amount of Reimbursement</u>	<u>Excess Reimbursement</u>
E 204471	12/24/96	\$ 100.00	\$ 0.00
E 248916	11/25/97	\$ 100.00	\$ 100.00
E 234300	07/31/97	\$ 430.00	\$ 0.00
E 248916	11/25/97	\$ 430.00	\$ 430.00
E 234300	07/31/97	\$1,250.00	\$ 0.00
E 248916	11/25/97	\$1,250.00	\$1,250.00
E 234300	07/31/97	\$1,391.00	\$ 0.00
E 248916	11/25/97	\$1,391.00	\$1,391.00
E 234300	07/31/97	\$ 840.75	\$ 0.00
E 248916	11/25/97	\$ 840.75	\$ 840.75
E 234300	07/31/97	\$ 362.00	\$ 0.00
E 248916	11/25/97	\$ 362.00	\$ 362.00
E 248916	11/25/97	\$2,771.48	0.00
E 254881	01/26/98	\$2,711.48	<u>\$2,771.48</u>
Total Excess Reimbursement			<u><u>\$7,459.51</u></u>

Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, 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; . . ."

According to the Fiscal Officer for the Cabinet, in order to determine whether particular Children's Fund expenditures have been reimbursed, it is necessary to research the supporting documentation attached to the West Virginia Financial Information System (WVFIMS) Cover Sheets for previous reimbursements. Reimbursements made to the Children's Fund are supported by

printouts of the ledgers for the fund. Those expenditures that are included in the reimbursement are highlighted on the ledger. A copy of the WVFIMS cover sheet and ledger are included in the file maintained for the Children's Fund. We believe the duplicate reimbursements are the result of errors on the part of the employee assigned the duties of maintaining accounting records for the Children's Fund which were not discovered and corrected.

We recommend the Cabinet comply with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended. We also recommend the Cabinet make reimbursement to the Federal Revenue Fund 8792 in the amount of \$7,459.51.

Agency's Response

We have reviewed the audit and confirm its findings. Since the time of the audit, we have incurred expenditures of \$10,127.08. To date, \$2,071.00 of this has been reimbursed. We will apply the excess draw down to these expenditures, resulting in \$596.57 remaining to be reimbursed. As of FY 2000, we will be using the FIMS grant module to track grants and we are currently exploring other methods of checks and balances.

The Fiscal Officer in question is no longer at the Governor's Cabinet on Children and Families. For some time now we have been working closely with Dorothy Yeager, Deputy Secretary of Administration, and personnel at the Financial Accounting and

Reporting Section, on a complete review of our fiscal operations. Ms. Becky Hayes of FARS has been our interim fiscal officer. Dorothy Yeager conducted the preliminary screening of all applicants for the position and our search has resulted in securing a well-qualified person with extensive experience in dealing with federal funds and reports. In addition, FARS will continue to provide training for and oversight of our fiscal operation. I am determined that such errors will not occur again.

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 Governor's Cabinet on Children and Families, Children's Fund for the year ended June 30, 1998. The financial statement is the responsibility of the management of the Governor's Cabinet on Children and Families, Children's Fund. Our responsibility is to express an opinion on the financial statement based on our audit.

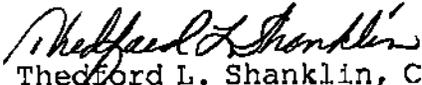
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement. An audit includes examining, on a test basis, evidence supporting 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 by the Governor's Cabinet on Children and Families, Children's Fund for the year ended June 30, 1998 on the basis of accounting described in Note A.

Our audit was made for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for purposes 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,


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

November 16, 1998

Auditors: Michael E. Sizemore, CPA, Supervisor
Stanley D. Lynch, CPA

**GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
CHILDREN'S FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE**

	<u>Year Ended June 30, 1998</u>
<u>Cash Receipts:</u>	
Private Gifts And Other Donations	\$ 70,603.73
Federal Funds - U.S. Department of Health and Human Services	35,129.07
Interest	<u>35,129.07</u>
	140,861.87
Disbursements:	
Current Expenses	47,406.01
Grant Awards Fund 1011	<u>47,406.01</u>
	<u>47,406.01</u>
Cash Receipts Over Disbursements	93,455.86
Beginning Balance	<u>651,714.54</u>
Ending Balance	<u>\$769,810.23</u>

See Notes to Financial Statement

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

CHILDREN'S FUND

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policies

Accounting Method: The cash basis of accounting is followed. 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.

Note B - Fund Balance

The components of the fund balance were as follows:

	<u>June 30, 1998</u>
Cash	\$ 66,663.55
Investments	<u>703,146.68</u>
	<u>\$769,810.23</u>

SUPPLEMENTAL INFORMATION

**GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
CHILDREN'S FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
SPECIAL REVENUE**

<u>Children's Fund - Fund 1011</u>	<u>Year Ended June 30, 1998</u>
Cash Receipts:	
Private Gifts And Other Donations	\$ 70,603.73
Transfer from Investment Account	40,000.00
Transfer from Federal Grant Fund 8792	<u>59,768.90</u>
	170,372.63
 Disbursements:	
Current Expenses	2,453.50
Grant Awards Fund 1011	44,952.51
Transfers to Investment Account (N028-02)	<u>122,660.24</u>
	<u>170,066.25</u>
Cash Receipts Over Disbursements	306.38
Beginning Balance	<u>66,357.17</u>
Ending Balance	<u>\$ 66,663.55</u>

**GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
CHILDREN'S FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE**

<u>Investments - Account (N028-02)</u>	<u>Year Ended June 30, 1998</u>
Receipts:	
Transfers from Children's Fund - Fund 1011	\$122,660.24
Interest	<u>35,129.07</u>
	157,789.31
Disbursements:	
Transfer to Children's Fund - Fund No. 1011	<u>40,000.00</u>
Cash Receipts Over Disbursements	117,789.31
Beginning Balance	<u>585,357.37</u>
Ending Balance	<u>\$703,146.68</u>

**GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
CHILDREN'S FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
FEDERAL PROGRAMS**

<u>Federal Grants and Contracts - Fund No. 8792-999</u>	<u>Year Ended June 30, 1998</u>
Cash Receipts:	
Federal Funds - U.S. Department of Health and Human Services	\$59,768.90
Disbursements:	
Transfers to Children's Fund - Fund 1011	<u>59,768.90</u>
Cash Receipts Over Disbursements	0.00
Beginning Balance	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>

**GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
CHILDREN'S FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
FEDERAL PROGRAMS**

<u>Federal Grants and Contracts - Fund No. 8792-999</u>	<u>Year Ended June 30, 1998</u>
Cash Receipts:	
Federal Funds - U.S. Department of Health and Human Services	\$59,768.90
Disbursements:	
Transfers to Children's Fund - Fund 1011	<u>59,768.90</u>
Cash Receipts Over Disbursements	0.00
Beginning Balance	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

CHILDREN'S FUND

RECONCILIATION

JUNE 30, 1998

Children's Fund - Fund 1011

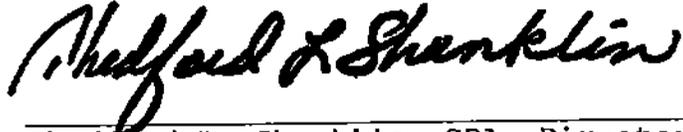
Balance per Agency	\$66,663.55
Add: Fund Balance of other Programs	
Early Childhood	0.00
Family Matters	0.00
Paternity/Day Care Program	6,291.41
Parents as Teachers	<u>0.00</u>
Balance per State Treasurer	<u>\$72,954.96</u>

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 of the audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 5, Article 26, Section 6, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 18th day of April, 1999.



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 each member of the Governor's Cabinet on Children and Families; Director of the Governor's Cabinet on Children and Families; and State Auditor.