

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

GOVERNOR'S CABINET ON
CHILDREN AND FAMILIES

FOR THE PERIOD

JULY 1, 2001 - JUNE 30, 2003



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

FOR THE PERIOD

JULY 1, 2001 - JUNE 30, 2003

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 of the Governor's Cabinet on Children and Families.

Our examination covers the period July 1, 2001 through June 30, 2003. 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

TLS/ela

GOVERNOR’S CABINET ON CHILDREN AND FAMILIES

TABLE OF CONTENTS

Exit Conference 1

Introduction 2

Cabinet Members and Staff 4

Summary of Findings, Recommendations and Responses 7

General Remarks 14

Independent Auditors’ Opinion 39

Statement of Appropriations/Cash Receipts, Expenditures/
Disbursements and Changes in Fund Balances 40

Notes to Financial Statement 42

Supplemental Information 44

Certificate of Director,
Legislative Post Audit Division 58

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

EXIT CONFERENCE

We held an exit conference on October 15, 2003 with the Acting Director and other representatives of the Governor's Cabinet on Children and Families. All findings and recommendations were reviewed and discussed. The above officials' 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.

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

INTRODUCTION

The Governor's Cabinet on Children and Families (Cabinet) was created by the passage of Chapter 4 of the Acts of the Third Extraordinary Session of the 1990 West Virginia Legislature and codified as Chapter 5, Article 26 of the West Virginia Code. In creating the Cabinet, the Legislature found "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." The Statement of Purpose set forth in Chapter 5, Article 26, Section 1 of the West Virginia Code went on to say that "the Legislature finds two of the crises which affect the ability of children to thrive and develop are teenage pregnancies and substance abuse. Further, successful intervention by a combined effort of government, the people of West Virginia and the Legislature can successfully reduce the number of pregnancies to unmarried, adolescent females and the instances of drug and alcohol abuse by children by the year 2000".

In accordance with the provisions of Chapter 5, Article 26, Section 2 of the West Virginia Code, the Cabinet is chaired by the Governor and includes among its membership: the Attorney General of West Virginia; one member of the State Senate serving in an advisory capacity; one member of the House of Delegates serving in an advisory capacity; the Secretary of the Department of Health and Human Resources; the Secretary of the Department of Administration or a designee; the State Superintendent of Schools; the Commissioner of the Bureau of Commerce; and, any other department heads of State government or private citizens who the Governor may elect to appoint to membership. The Cabinet shall

convene at least once each calendar quarter and the Cabinet is required by law to establish bylaws to govern its decision making.

Family Resource Networks, commonly referred to as FRN's have been the dominant vehicle through which the Cabinet has attempted to accomplish its legislative mission. The FRN's can be defined as county or multiple-county coalitions whose mission is to plan and coordinate local responses designed to improve the level of services to children and families. As such, FRN membership is made up of such diverse interest groups as government, business, community, religious and civic representatives, other local service providers and the general public.

The FRN's assess community needs, identify current service resources available and gaps in services and perform the function of coordinating these diverse services to achieve benefits for the communities they serve. The Cabinet provides financial resources to the FRN's through the Grant process based on the submission of proposals by the FRN's to the Cabinet. Such proposals reflect local action plans illustrating county or multiple-county population needs, services available, services deemed necessary and the plan of the FRN to meet the identified needs with local resources in an efficient and effective manner. The role of the Cabinet has been to assess the ability of the FRN to accomplish the FRN's plan for those service improvements as set out in their proposal. Once the Cabinet has entered into an agreement with a particular FRN, the Cabinet has an evaluation process which is used to determine the success of the FRN in terms of meeting the established needs outlined in their proposal.

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

CABINET MEMBERS AND STAFF

AS OF JUNE 30, 2003

STAFF

Staci Boggess Fiscal Officer
Renate Pore Director
Jackie West Executive Secretary
Debbie Waller Administrative Assistant
Tom Dingess Contracts Administrator

CABINET MEMBERS

The Honorable Bob Wise, Governor Chairman
First Lady Sandra Wise Honorary Chairman

State Agency Members

Alisa L. Bailey Commissioner
Bureau of Commerce
Kay H. Goodwin Secretary
Department of Education and the Arts
Essa Howard Director
Economic Opportunity Office
Brian Kastick Secretary
Department of Tax and Revenue

Joe Martin Secretary
Department of Military Affairs and Public Safety

Darrell V. McGraw, Jr. Attorney General
Attorney General's Office

J. Michael Mullen, Ph.D Chancellor
Higher Education Policy Commission

Paul Nusbaum Secretary
Department of Health and Human Resources

Robert J. Smith Commissioner
Bureau of Employment Programs

David Stewart State Superintendent of Schools
State Superintendent of Schools,
State Department of Education

Ann Stottlemyor Commissioner
Bureau of Senior Services

Lydotta Taylor Chair
Workforce Investment Advisory Council

Dot Yeager Department of Administration

Legislative Members

Mary Pearl Compton WV House of Delegates

Marie Redd WV Senate

Citizen

Gail Foley Member

Elaine Hackman Member

Judy Romano, M.D. Member

Pauline Sturgill, Director
Appairead

Susan Walter Member

Debby Weinstein Director
YWCA of Charleston

Emeritus

Donald Weston, M.D. Member

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

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 observed noncompliance with the West Virginia Code and other applicable rules and regulations, the Governor's Office on Children and Families (GCCF) did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations.

Auditor's Recommendation

We recommend the Governor's Cabinet comply with Chapter with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and establish a system of internal controls.

Agency's Response

No Response. (See pages 14-16)

Missing or Incomplete Records for Grants

2. The Governor's Cabinet on Children and Families disbursed a total of \$8,853,430.82 in grants during fiscal years 2003 and 2002. However, the Cabinet employees were unable to provide us with numerous documents required to be submitted by grantees to the Cabinet as stipulated in the grant agreements.

Auditor's Recommendation

We recommend the Governor's Cabinet on Children and Families comply with the provisions of the grants agreements and require the grantee to provide all required information. We further

recommend that information be certified in compliance with the grant agreement and maintained by the cabinet.

Agency's Response

- *The Educare program was defunded by the legislature beginning in FY 03. The program and its staff are no longer present.*

Cabinet office staff conducts a thorough contract renewal process each spring on every grant.

- *The finding of 5 invoices, out of approximately 175, without supporting WVFIMS documents represents an error rate of less than three percent. (See pages 16-21)*

Ineligible Grants Paid From the Family Resource Networks Grant Program

3. While reviewing the supporting documentation for the expenditures selected for testing, we noted four invoices of \$5,000.00 each for a total of \$20,000.00 paid from the Governor's Cabinet on Children and Families Planning and Coordination grants for expenditures to grantees for services unrelated to the Family Resources Network's Planning and Coordination Grants.

Auditor's Recommendation

We recommend the Governor's Cabinet on Children and Families comply with Chapter 5, Article 3, Section 9 of the West Virginia Code. Also, the Governor's Cabinet on Children and Families should reimburse Account 0104, Activity 274 Family Resource Network \$20,000.00 from Account 104, Activity 316 Starting Points Centers and Parent Education Services.

Agency's Response

Planning and Coordination funds were used prior to the receipt of private grant funds as work for the project began. Funds were dispersed on an invoice basis and were replaced with private grant funds upon receipt. (See pages 21-23)

Invoices Not Paid Timely

4. During our audit, we noted 11 Governor's Cabinet invoices totaling \$878,323.67 were not paid within 60 days of their receipt.

Auditor's Recommendation

We recommend the Governor's Cabinet comply with Chapter 5A, Article 3, Section 54 (b)(1) of the West Virginia Code, as amended, and process invoices for payment within 60 days of their receipt. Additionally, we recommend the agency date stamp all invoices upon receipt, as specified in State Auditor's Office Legislative Rules Title 155, Series 1, Section 3.9.

Agency's Response

Invoices for MURC were held due to incomplete contractual agreements. Some invoices were returned from the auditor's office for incorrect coding or documentation. (See pages 23-26)

**Year-end Transfer of Disbursements To Prevent
Expiration of Appropriation**

5. We noted the Governor's Cabinet processed an expense to expense transfer totaling \$43,949.16 and charging the expense to a general revenue account in an attempt to prevent the expiration of the general revenue appropriation at the end of fiscal year 2003. However, the appropriated expiring account had expired before the transfer was processed.

Auditor's Recommendation

We recommend the Governor's Cabinet on Children and Families comply with Chapter 12, Article 3, Section 12 of the West Virginia Code, as amended, and transfer the expense totaling \$43,949.16 back to the Governor's Cabinet Unclassified Account (0104-099).

Agency's Response

The decision to transfer these funds was discussed in a staff meeting and with staff of the Governor's Administrative Office. (See pages 26 and 27)

Overpayment of Contract

6. During fiscal year 2002, the Governor's Cabinet paid \$6,974.00 in excess of the amount stated in a contract to provide consultation, technical assistance and coordination to the Healthy Child Care West Virginia initiative.

Auditor's Recommendation

We recommend the Governor's Cabinet on Children and Families comply with Section 7.3 of the West Virginia Purchasing Policies and Procedures Handbook.

Agency's Response

Staff of the Cabinet Office recognizes the serious issue of overpayment. A process will be put in place immediately to ensure the monitoring of expenditures against WV-48s. (See pages 27 and 28)

Lack of Documentation for Conference Participation

7. During our audit period, the Governor’s Cabinet paid \$35,704.90 for charges related to three training conferences/retreats for which the Cabinet was unable to provide a registration list verifying conference participants. Consequently, we were unable to determine if the amounts paid were legitimate costs of the conference registrants.

Auditor’s Recommendation

We recommend the Cabinet comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. We also recommend the Cabinet develop, use and maintain registration forms for all conferences and training retreats.

Agency’s Response

Cabinet staff was unaware that conference participant lists were required for documentation. In the future staff will keep copies of participant lists as documentation. (See pages 28-30)

Lack of Bid Documentation

8. During our audit period, we noted four purchases totaling \$12,346.04 for which the Governor’s Cabinet could not provide us with the required bid documentation. None of these purchases were made under a Statewide contract.

Auditor’s Recommendation

We recommend the GCCF comply with Sections 6.1.1, 6.1.2, 8.12, and 4.7.1.6.1 of the West Virginia Purchasing Division Policies and Procedures Handbook.

Agency's Response

The Cabinet contracted with Mountainside Media for public awareness and communications activities. Mountainside Media obtained competitive bids for all materials and ensured that the vendor with the lowest bid was used, as part of their services to the Cabinet. (See pages 31 and 32)

Failure to Develop Rules and Regulations

9. The Governor's Cabinet disbursed \$8,853,430.82 in grants and incurred \$3,544,516.21 in administrative and personnel services costs through State accounts during fiscal years 2002 and 2003. However, the Cabinet has not developed written rules and regulations to control the disbursement or receipt of funds.

Auditor's Recommendation

We recommend the Governor's Cabinet for Children and Families comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and develop Legislative rules and regulations.

Agency's Response

The Cabinet staff will develop a written fiscal policy manual by December 31, 2003 that outlines operational procedures. (See pages 33 and 34)

Travel Expense Settlement Forms

10. We noted on four occasions the Governor's Cabinet paid a total of \$29,355.50 in direct payments for room reimbursements without requiring the use of Travel Expense Settlement Forms. These payments were primarily for participants in the Governor's Cabinet's Family

Leadership Conferences. We also noted five instances where Travel Expense Settlement Forms totaling \$3,120.94 did not have agency approval signatures, and eight instances totaling \$3,566.88. where the employee failed to state a purpose of travel on the settlement form.

Auditor's Recommendation

We recommend the Governor's Cabinet on Children and Families comply with Section 10 of the West Virginia Purchasing Division Travel Management Unit's Travel Rules and Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended.

Agency's Response

Cabinet staff will research the various and most appropriate procedures for reimbursing non-state employees for work performed. (See pages 34-36)

Employee Overpayments

11. We noted the Governor's Office overpaid two Governor's Cabinet employees a total of \$256.13.

Auditor's Recommendation

We recommend the Governor's Office comply with Chapter 12, Article 3, Section 13 and Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended.

Agency's Response

The overpayments to the two (2) former employees was due to a miscalculation of prior years' service and an oversight in the payroll process by the Governor's Administrative Office which serves as the payroll administrator for the Governor's Cabinet on Children and Families. (See pages 36-38)

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 (Governor's Cabinet). The examination covers the period of July 1, 2001 through June 30, 2003.

COMPLIANCE MATTERS

Chapter 5, Article 26 of the West Virginia Code generally governs the Governor's Cabinet on Children and Families. We tested the above plus general State regulations and 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 post audit, it became apparent to us, based on the observed noncompliance with the West Virginia Code and other rules and regulations, the Governor's Cabinet did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations.

Chapter 5A, Article 8, Section 9(b) 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 the Governor's Cabinet, we found the following noncompliance with State laws or other rules and regulations: (1) The Governor's Cabinet on Children and Families disbursed a total of \$8,853,430.82 in grants during fiscal years 2003 and 2002. However, the Cabinet was unable to provide us with numerous documents required to be submitted to the Cabinet from the grantees that are used as verification that grant funding was disbursed in accordance with grant requirements. (2) While reviewing the supporting documentation of the expenditures selected for testing, we noted four invoices \$5,000.00 each for a total of \$20,000.00 paid from the Governor's Cabinet on Children and Families Planning and Coordination appropriations for expenditures to grantees for services unrelated to the Family Resources Network's Planning and Coordination Grants. (3) During our audit period, we noted 11 Governor's Cabinet invoices totaling \$878,323.67 were not paid within 60 days of their receipt. (4) We noted the Governor's Cabinet moved expenses totaling \$43,949.16 to a general revenue account to prevent the expiration of the general revenue appropriation at the end of fiscal year 2003. However, the funds had expired prior to the processing of the expense to expense transfer. (5) During fiscal year 2002, the Governor's Cabinet paid \$6,974.00 in excess of the amount stated in a contract for technical assistance and coordination for the Healthy Child Care West Virginia Initiative. (6) We noted the Governor's Cabinet paid \$35,704.90 for charges related to three training conferences/retreats for which the Cabinet was unable to provide a registration list verifying conference participants. (7) For four purchases totaling \$12,346.04 the Governor's Cabinet could not provide us with the required bid documentation. (8) The Governor's

Cabinet disbursed \$8,853,430.82 in grants and incurred \$3,544,516.21 in administrative and personnel services costs through State accounts during fiscal years 2002 and 2003. However, the Cabinet has not developed rules or regulations to control the disbursement or receipt of funds. (9) We noted on four occasions the Governor's Cabinet paid a total of \$29,355.50 in direct payments for room reimbursements without requiring the use of Travel Expense Settlement Forms. These payments were primarily for participants in the Governor's Cabinet's Family Leadership Conferences. We also noted five instances where Travel Expense Settlement Forms totaling \$3,120.94 did not have agency approval signatures, and eight instances totaling \$3,566.88 where the employee failed to state a purpose of travel on the settlement form. (10) We noted the Governor's Office overpaid two Governor's Cabinet employees a total of \$256.13.

We recommend the Governor's Cabinet comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and establish an effective system of internal controls that will serve to alert management to areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

Agency's Response

No response.

Missing and Incomplete Records for Grants

The Governor's Cabinet on Children and Families disbursed a total of \$8,853,430.82 in grants and an additional 3,544,516.21 in administrative and personal services cost during fiscal years 2003 and 2002. However, the Cabinet employees were unable to provide us with several documents required to be submitted by grantees to the Cabinet as stipulated in the grant agreements. Since the grantees are

not being required to comply with grant provisions and submit all required information, it is not possible to determine if they are qualified to receive the funds or if funds were used for the purpose they were provided.

The Cabinet was unable to provide us with the required fiscal agent audits requested for the Educare grants as follows:

<u>Fiscal Agent</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Amount</u>
Monongalia County Schools	02-502	2002	\$ 183,333.00
Patch 21 st Century	02-503	2002	140,324.00
River Valley Child Development Services	03-501	2003	117,649.00
River Valley Child Development Services	02-503	2002	157,351.00
Taylor County Bd. of Education	03-503	2003	33,133.00
Taylor County Bd. of Education	02-508	2002	235,860.00
Team for West Virginia Children	02-501	2002	192,808.00
Upshur County Family Resource Network	02-505	2002	190,488.00
Webster County Family Resource Network	02-506	2002	<u>132,865.00</u>
	TOTAL		<u>\$1,383,811.00</u>

Section C of the grant agreements between the Governor’s Cabinet on Children and Families and the Educare collaboratives and fiscal agents states in part:

The Fiscal Agent is to have a financial and compliance audit of its annual fiscal period as prescribed by the U.S. Office of Management and Budget’s (OMB) Circular A-133, “*Audits of States, Local Government and Nonprofit Organizations*,” revised 1997. If an exemption from the audit requirements of OMB Circular A-133 is requested in accordance with the procedures described below, and granted by the Cabinet, the Fiscal Agent will still be required to have an audit prepared in accordance with “General Accepted Auditing Standards (GAAS)”, GAO’s “Government Auditing Standards,” 1994 Revision (Commonly called the GAO Yellow Book”) or additional programmatic audit guidelines as developed by the Cabinet, depending on the source and amount of funding.

The Fiscal Agent will furnish the Cabinet with two (2) copies of the audit within the earlier of 30 days after receipt of the auditor's report or six (6) months after the Fiscal Agents annual audit period.... (Emphasis Added)

The Governor's Cabinet was unable to provide inventories as required by the Educare grant agreements for the following documents:

<u>Fiscal Agent</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Amount</u>
Patch 21 st Century	02-503	2002	\$140,324.00
River Valley Child Development Services	03-501	2003	117,649.00
River Valley Child Development Services	02-503	2002	157,351.00
Webster County Family Resource Network	02-506	2002	<u>132,865.00</u>
		TOTAL	<u>\$548,189.00</u>

The Governor's Cabinet was unable to provide us with many other documents required by the grant agreement for Family Resource Network's Planning and Coordination Grants, Starting Points Grants, Parent Education Grants, and Educare Grants. The following table displays the Expenditure Reports (E), Community Plan (CP), Subcontracts (SC), Progress Reports (PR) and Annual Reviews (AR) which could not be located:

<u>Family Resource Network/Educare Collaborative</u>	<u>Grant Number</u>	<u>Fiscal Year</u>	<u>Missing Documentation</u>	<u>Grant Amount</u>
Wayne Co. FRN	03-341	2003	E	\$ 40,000.00
Step By Step Inc./Lincoln Co.	02-104	2002	CP	50,000.00
Summers Co. Board of Education	02-112	2002	E, PR	50,000.00
Benwood Housing Authority/Marshall Co.	02-105	2002	CP	50,000.00
Greenbrier Co. Child & Youth Advocacy Center	02-704	2002	E, SC	10,000.00

Family Resource Network/Educare Collaborative	Grant Number	Fiscal Year	Missing Documentation	Grant Amount
Lifebridge Inc.	03-111	2003	SC	50,000.00
Lincoln Co. FRN Inc.	03-104	2003	PR, AR	50,000.00
Summers Co. Board of Education	03-112	2003	E	50,000.00
Southwestern Comm. Action Council	03-115	2003	E	50,000.00
Mingo Co. FRN	03-205	2003	AR	45,000.00
Northern Panhandle Head Start, Inc.	03-207	2003	PR	45,000.00
Change Inc./Brooke-Hancock	03-101	2003	AR	<u>50,000.00</u>
			TOTAL	<u>\$540,000.00</u>

Section II, of the Planning and Coordination grant agreements states in part:

“ . . . the (grantee) agrees to provide the Cabinet:

(a)(1) A budget for expenditure of grant funds during (stated fiscal year) for approval by the Cabinet office. . . .

(a)(4) The “Community Plan” for carrying out the provisions of this contract and achieving service system improvement. . . .

(a)(5) Quarterly expenditure reports which summarize expenditures of grant funds in a manner consistent with the approved budget”

Section C. (Deliverables) of the Starting Points Grant Agreements states in part:

“ . . . The Family Resource Network agrees to provide the following deliverables to the Cabinet:

a. A budget for expenditures of grant funds shall be submitted...on the form developed by the Cabinet . . .

c. Goals for implementing a Starting Points early childhood family resource center through this agreement shall be included in the applicable Family Resource Network’s strategic plan . . .

d. Expenditure reports that summarize expenditures of grant funds in a manner consistent with the approved budget must be submitted every three months on the form developed by the Cabinet . . .

e. Activities and outcomes related to implementing a Starting Points early childhood family resource center through this agreement shall be included in the progress report/performance measures of the applicable Family Resource Network, to be submitted to the Cabinet on the same schedule as the expenditure reports . . .

f. An annual review, using the West Virginia Quality Indicators for Starting Points Family Resource Centers, shall be submitted. . . .

g. An updated work plan with specific activities that meet core service requirements which is approved by the Starting Points Advisory Council must be submitted annually as part of the Starting Points contract renewal process . . .”

Also, the Cabinet was unable to provide us with WVFIMS supporting documents for the following transactions:

<u>Vendor</u>	<u>WVFIMS Document Number</u>	<u>Fiscal Year</u>	<u>Amount</u>
Eastern Regional Family Resource Network	I005125599	2002	\$ 6,667.00
FRN Panhandle	I005125602	2002	5,883.00
Taylor County Family Resource Network	I005198281	2002	8,334.00
N/A	E000434930	2002	29,500.00
N/A	E000430712	2002	<u>17,500.00</u>
		TOTAL	<u>\$67,884.00</u>

N/A - WVFIMS Expense to Expense transfer documents.

According to the Governor’s Cabinet Fiscal Officer, much of the staff that worked on the grants during our test period no longer work for the Governor’s Cabinet.

We recommend the Governor’s Cabinet on Children and Families comply with the provisions of the grant agreements and require the grantee to provide all required information. We further recommend that information be certified in compliance and maintained by the contract.

Agency's Response

Educare:

- ***Educare was on an 18 month funding cycle. Audits would have been required as part of the contract renewal process; however, Educare was defunded by the legislature in July 2002.***
- ***Program inventories were only required of grantees who expended funds to make equipment purchases, which was not universally done by all Educare grantees.***
- ***The Educare program was defunded by the legislature beginning in FY 03. The program and its staff are no longer present.***

Grantee Requirements:

Cabinet office staff conducts a thorough contract renewal process each spring on every grant. Staff receives, individually reviews and discusses as a team all required documents and the status of each grantee. Notes are made regarding strengths and missing documentation. Consequences are present for grantees with missing documentation, such as expenditure reports. Examples of these packets, notes made, and letters sent grantees are available upon request.

WVFIMS Supporting Documentation:

- ***The finding of 5 invoices, out of approximately 175, without supporting WVFIMS documents represents an error rate of less than three percent.***

Ineligible Grants Paid From the Family Resource Networks Grant Program

While reviewing the supporting documentation for the expenditures selected for testing, we found grants which were funded from the incorrect account. We noted four invoices in the account of \$5,000.00 each for a total of \$20,000.00 paid from the Governor's Cabinet on Children and Families Planning and Coordination appropriations for expenditures to grantees for services unrelated to the Family

Resources Network's Planning and Coordination Grants. These expenditures were to fund a specific pilot program in West Virginia called the Family Support America's "Evidence Along the Way," a participatory evaluation methodology based on a theory of change model in order to evaluate family support centers.

Two of the State's "Starting Points Family Support Centers" were chosen as the sites for the pilot projects. This program appears to be related to the Starting Points Family Support Centers and, therefore, should not have been paid from Account 0104-274, which is an appropriation for Family Resource Networks' Planning and Coordination Grants. Agency staff told us these grants should have been paid from Account 0104, Activity 316, the appropriation for Starting Points Centers and Parent Education Services.

Chapter 12, Article 3, Section 9 of the West Virginia Code states:

"Every board or officer authorized by law to issue requisition 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 purpose 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."
(Emphasis Added)

Paying for grants unrelated to the appropriation could result in funding not being available for the original intentions of the appropriation. Staff of the Governor's Cabinet on Children and Families agreed the grants were funded from the incorrect account and said the grants were paid in error.

We recommend the Governor's Cabinet on Children and Families comply with Chapter 5, Article 3, Section 9 of the West Virginia Code. Also, the Governor's Cabinet on Children and Families should reimburse Account 0104, Activity 274 Family Resource Network \$20,000.00 from Account 0104, Activity 316 Starting Points Centers and Parent Education Services.

Agency's Response

'Family Support America - Evidence Along the Way' is a special project undertaken in partnership with Starting Points Centers, but with a separate, private funding source. State funds, which support Starting Points Centers, were not used for this project. Planning and Coordination funds were used prior to the receipt of private grant funds as work for the project began. Funds were dispersed on an invoice basis and were replaced with private grant funds upon receipt.

Staff agrees that private funds should not have been put into the general revenue account (0104-274), however, all state monies for planning and coordination were used for planning and coordination. Private money received from Family Support America for the Evidence Along the Way project was over and above any monies for planning and coordination.

Invoices Not Paid Timely

During our audit, we noted 11 Governor's Cabinet invoices totaling \$878,323.67 were not paid within 60 days of their receipt. These late payments are not in compliance with Chapter 5A, Article 3, Section 54 (b)(1) of the West Virginia Code, as amended, which states in part:

"(b)(1) Except as provided in subdivision (2) of this subsection, for purchases of services or commodities made on or after the first day of July, one thousand nine hundred ninety-one, a state check shall be issued in payment thereof within sixty days after a legitimate uncontested invoice is received by the state agency receiving the services or commodities. Any state check issued after such sixty days shall include interest at the current rate, as determined by the state tax commissioner under the provisions of section seventeen-a [§ 11-10-17a], article ten, chapter eleven of this code, which interest shall be calculated from the sixty-first day after such invoice was received by the state agency until the date on which the state check is mailed to the vendor." (Emphasis Added)

The 11 invoices were paid between 350 and 63 days after their receipt date as detailed

in the following table:

<u>Vendor</u>	<u>WV FIMS ID</u>	<u>Date Received</u>	<u>Date Paid</u>	<u>Days Paid After Receipt</u>	<u>Amount</u>
Marshall University Research Corporation	I005416390	08/20/01	06/21/02	305	\$121,765.36
Marshall University Research Corporation	I005682237	10/16/02*	05/30/03	226	162,661.67
Marshall University Research Corporation	I005861294	05/17/02*	05/02/03	350	135,036.01
Marshall University Research Corporation	I005835598	09/18/02	04/15/03	209	77,723.21
Marshall University Research Corporation	I005666561	02/13/02	12/12/02	302	211,183.30
Marshall University Research Corporation	I005861337	10/30/02	05/02/03	184	121,372.94
Mountainside Medica	I005638201	11/19/02	02/10/03	83	1,845.00
University of Charleston	I005638223	10/16/02*	03/10/03	145	2,818.40
Comfort Suites of Mineral Wells	I005770638	02/18/02	03/24/03	96	4,153.50
Family Carper Outlet	I005299611	01/29/02*	04/10/02	71	9,175.50
Canaan Valley Resorts, Inc	I005929681	04/17/03	06/19/03	63	<u>30,588.78</u>
				TOTAL	<u>\$878,323.67</u>

* Invoice date used as date received since invoices were not date stamped.

Not processing invoices for payment within 60 days of receipt is detrimental to fostering good relationships with vendors. In addition, according to the statute quoted above, vendors are entitled to interest payments from the agency for each day invoices remain unpaid in excess of 60 days from the date invoices are received.

According to the Governor's Cabinet Fiscal Officer, payment was withheld from Marshall University Research Corporation (MURC) because MURC failed to provide certain documents to the Cabinet required by contract. However, we could find no evidence that the Cabinet had followed up and made an effort to obtain the required documentation from MURC. Also, the Fiscal Officer stated many of the other payments listed above were late because the State Auditor's Office rejected initial attempts to pay the invoices due to incorrect coding or improper documentation.

We also noted 17 instances involving invoices totaling \$144,336.08 for which the Governor's Cabinet failed to record the date received on the invoices. As a result, we could not determine if the agency paid these invoices in a timely manner. The Fiscal Officer for the Governor's Cabinet said in some cases copies of invoices may have been made prior to the Agency date stamping the original. The State Auditor's Office Legislative Rules Title 155, Series 1, Section 3.9 states in part:

“. . . the Auditor shall require that all invoices be date stamped upon receipt by the state agency. . . .”

We recommend the Governor's Cabinet comply with Chapter 5A, Article 3, Section 54 (b)(1) of the West Virginia Code, as amended, and process invoices for payment within 60 days of their receipt. Additionally, we recommend the agency date stamp all invoices upon receipt, as specified in State Auditor's Office Legislative Rules Title 155, Series 1, Section 3.9.

Agency's Response

Invoices for MURC were held due to incomplete contractual agreements. Notification and discussions were held in face-to-face meetings, phone calls and emails between the staff of both organizations.

Some invoices were returned from the auditor's office for incorrect coding or documentation. In these cases, documentation showing return from the auditor's office was attached.

Date-stamped Invoices:

In many instances, duplicate invoices are received. It is common practice to date-stamp the original to send to the auditor's office and to prepare the second for filing. Cabinet staff will amend its practices to include date-stamping all copies.

Year-End Transfer of Disbursements To Prevent Expiration of Appropriation

We noted the Governor's Cabinet transferred expenses totaling \$43,949.16 to a general revenue account in an attempt to prevent the expiration of the general revenue appropriation at the end of fiscal year 2003. However, the funds unencumbered as of June 30, expired on that date and were no longer available for agency use when the expense to expense transfer was processed on July 30. Even though these disbursements were initially paid from the proper accounts, the expense-to-expense transfer dated July 30, 2003, moved expenses totaling \$30,588.78 from the Governor's Summit on West Virginia's Future special revenue account (1032), \$12,608.28 from the Family Resource Networks general revenue account (0104-274) and \$752.10 from the Starting Point Centers and Parent Education Services general revenue account (0104-316), to the Cabinet's unclassified general revenue account (0104-099).

Chapter 12, Article 3, Section 12, of the West Virginia Code, as amended states in part:

“Every appropriation which is payable out of the general revenue, or so much thereof as may remain undrawn at the end of the year for which made, shall be deemed to have expired at the end of the year for which it is made, and no warrant shall thereafter be issued upon it:...” (Emphasis Added)

The expenses transferred, and the original funding sources are detailed in the following table:

<u>Original Funding Source</u>	<u>Purpose</u>	<u>Amount</u>
Robert Wood Johnson Grant	Canaan Valley Resorts Family Leadership Conference	\$30,588.78
General Revenue Appropriations for Family Resource Networks and Starting Point/Parent Education Services	Payment of Contractual Service Workers	<u>13,360.38</u>
	TOTAL TRANSFERRED	<u>\$43,949.16</u>

According to the Governor's Cabinet Fiscal Officer, the transfer was made in order to clear the Governor's Cabinet Unclassified Account (0104-099) balance to prevent the expiration of funds.

We recommend the Governor's Cabinet on Children and Families comply with Chapter 12, Article 3, Section 12 of the West Virginia Code, as amended, and transfer the disbursements totaling \$43,949.16 back to the Governor's Cabinet Unclassified Account (0104-099) and allow the balance of the account to expire.

Agency's Response

The decision to transfer these funds was discussed in a staff meeting and with staff of the Governor's Administrative Office. General revenue (099) funds were not reappropriated, for the first time ever in FY 04. It was the staff's understanding that funds encumbered during FY03 were permissible to be paid in the thirteenth month (July 2003). Both the Family Leadership Conference and the work conducted by contract staff were completed within FY03.

Overpayment of Contract

During fiscal year 2002, the Governor's Cabinet paid \$6,974.00 over the amount stated in a contract for services to provide consultation, technical assistance and coordination to the Healthy Child Care West Virginia initiative. The contract stated the Cabinet will pay an amount not to exceed \$9,999.00 for the period of July 1, 2001 through June 30, 2002. However, the Cabinet paid \$16,973.99 which exceeded the contract by \$6,974.99. In addition, the total paid would require the contract to be processed by the Division of Purchasing.

The contract agreement between the Governor's Cabinet and the contract worker states in part:

“...The rate of pay shall be \$25.00 per hour not to exceed \$9,999.00 for the entire term of the contract . . .”

Section 7.3 of the West Virginia Purchasing Policies and Procedures Handbook states in part:

“Encumbrances: The Purchasing Division's Administration Unit encumbers all purchase orders executed by the Purchasing Division over \$10,000 . . .”

We were unable to determine the reason the Cabinet paid more than the amount stated in the contract. However, the action results in the avoidance of Purchasing regulations requiring the contract to be bid through the Purchasing Division.

We recommend the Governor's Cabinet on Children and Families comply with Section 7.3 of the West Virginia Purchasing Policies and Procedures Handbook.

Agency's Response

Staff of the Cabinet Office recognizes the serious issue of overpayment. A process will be put in place immediately to ensure the monitoring of expenditures against WV-48s.

Lack of Documentation for Conference Participation

During our audit period, the Governor's Cabinet paid \$35,704.90 for charges related to three training conferences/retreats for which the Cabinet was unable to provide a registration list verifying conference participants. Consequently, we were unable to determine if the amounts paid were legitimate costs of the conference registrants.

Chapter 5A, Article 8, Section 9(b) 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. . . ." (Emphasis Added)

According to the Governor's Cabinet Fiscal Officer, the costs were incurred primarily on behalf of registrants that were neither State employees nor workers under contract with the Cabinet. Supporting documents showed \$30,588.78 was paid to Canaan Valley Resorts for a Family Leadership Conference held for families, including children and teens, to offer information about family perceptions on health, education and other services; \$4,153.50 was paid to the Comfort Suites of Mineral Wells for an apprenticeship retreat for critical partners to facilitate the planning process for grant implementation; and \$962.62 was paid to Cacapon Resort State Park for a conference to provide training and technical assistance for Collaborative Early Childhood Teams. These costs are further detailed in the following table:

<u>Vendor</u>	<u>Conference Date</u>	<u>Room Charges</u>	<u>Beverages & Meals</u>	<u>Equipment & Room Rental</u>	<u>Total</u>
Canaan Valley Resorts	04/04/03 - 04/06/03	\$11,738.00	\$18,650.78	\$200.00	\$30,588.78
Comfort Suites of Mineral Wells	10/15/03 - 10/17/03	2,539.50	1,314.00	300.00	4,153.50
Cacapon Resort State Park	02/03/03 - 02/04/03	<u>354.00</u>	<u>608.62</u>	<u>0.00</u>	<u>962.62</u>
TOTALS		<u>\$14,631.50</u>	<u>\$20,573.40</u>	<u>\$500.00</u>	<u>\$35,704.90</u>

According to the Administrative Assistant for the Governor's Cabinet, some registration forms may have been forwarded to non-State agencies that are currently administering some programs previously under the charge of the Cabinet. However, we believe the Cabinet should have maintained copies of these records to support payments related to these three conferences/retreats.

We recommend the Cabinet comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. We also recommend the Cabinet develop, use and maintain registration forms for all conferences and training retreats.

Agency's Response

Staff was able to locate 7 of the 10 requested participant lists in files kept by the individuals setting up the conferences/retreats. Cabinet staff was unaware that conference participant lists were required for documentation. In the future staff will keep copies of participant lists as documentation. Additional information regarding the purpose of the conference, number of attendees and the number of meals purchased is required to be submitted to the Auditor's Office for payment. This information is available for review.

Lack of Bid Documentation

During our audit period, we noted four purchases totaling \$12,346.04 for which the Governor’s Cabinet could not provide us with the required bid documentation. None of these purchases were made under a Statewide contract. These purchases are detailed in the following table:

<u>Vendor</u>	<u>WVFIMS No.</u>	<u>Description</u>	<u>Amount</u>
Johnson Printing	I005078245	Brochures and Flyers	\$ 5,084.70
Johnson Printing	I004925008	Employer Brochures	3,135.40
Johnson Printing	I005016512	Growing Points Growth Chart	2,492.86
Knight Phillips Associates	I005268609	Mailing to Tax Preparers	<u>1,633.08</u>
		TOTAL	<u>\$12,346.04</u>

Sections 6.1.1 and 6.1.2 of the West Virginia Purchasing Division Policies and Procedures

Handbook states:

“6.1.1 Purchases \$1,000 and Less: Competitive bids are not required, but are encouraged when possible. (Agencies are supposed to use the State Purchasing Card for these purchases.

6.1.2 Purchases \$1,000.01 to \$5,000: A minimum of three verbal bids are required when possible.”

Section 8.12 of the West Virginia Purchasing Division Policies and Procedures Handbook

states in part:

“Printing and Printing Equipment: All printing and binding services must be performed by Correctional Industries or a letter of refusal must be attached to the **Purchase Requisition** (over \$10,000), or maintained with agency invoice/purchase order file (\$10,000 or less). . .”

Sections 4.7.1.6.1 of the West Virginia Purchasing Division Policies and Procedures

Handbook states:

“Direct Purchases \$10,000 or Less:

If an item is unique and possesses specific characteristics that are available from only one source, an **Agency Purchase Order** must be completed.

A written, signed quotation from the sole source vendor and written justification from the state agency for purchases over \$1,000 must be obtained. Fax quotations are permitted. A specific description, terms, FOB point of shipment, and price must be included in the signed quotation.”

By not acquiring bids, or using State wide contracts when possible, the Governor’s Cabinet may pay more for commodities and services. The Governor’s Cabinet Fiscal Officer said the employee responsible for accounts payable at the time these purchases were made no longer works for the Cabinet.

We recommend the Governor’s Cabinet comply with Sections 6.1.1, 6.1.2, 8.12, and 4.7.1.6.1 of the West Virginia Purchasing Division Policies and Procedures Handbook.

Agency’s Response

The Cabinet contracted with MountainSide Media for public awareness and communications activities. That contract was bid out using proper Purchasing Division procedures and was awarded in November 2001. Part of the vendor’s services, as spelled out in the contract, included coordination with printers regarding the printing of public awareness materials. MountainSide Media obtained competitive bids for all materials and ensured that the vendor with the lowest bid was used, as part of their services to the Cabinet.

Failure to Develop Rules and Regulations

The Governor's Cabinet disbursed \$8,853,430.82 in grants and incurred \$3,544,516.21 in administrative and personnel services costs through State accounts during fiscal years 2002 and 2003. However, the Cabinet has not developed rules or regulations to control the disbursement or receipt of funds.

Chapter 5, Article 26, Section 4 of the West Virginia Code states in part:

"In addition to all other powers granted to the cabinet in this article and elsewhere by law, the cabinet shall have the power and authority to: . . . (3) Develop and implement rules, regulations, standards and policies governing the internal operation and administration of the cabinet. . . ." (Emphasis Added)

Additionally, Chapter 5A, Article 8, Section 9(b) 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. . . ." (Emphasis Added)

The Fiscal Officer stated the Governor's Cabinet has not developed rules or regulations nor any other written procedures specific to the Cabinet's operations. However, we believe the implementation of rules, regulations and written procedures are essential to the efficient operations of the Agency.

We recommend the Governor's Cabinet on Children and Families comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and develop Legislative rules and regulations.

Agency's Response

Procedures have been used to govern fiscal operations at the Cabinet office; however, they have been unwritten. The Cabinet staff will develop a written fiscal policy manual by December 31, 2003 that outlines operational procedures.

Travel Expense Settlement Forms

We noted on four occasions totaling \$29,355.50 the Governor's Cabinet made direct payments for room reimbursements without requiring the use of Travel Expense Settlement Forms. These payments were primarily for participants in the Governor's Cabinet's Family Leadership Conferences. We also noted five instances where Travel Expense Settlement Forms totaling \$3,120.94 did not have agency approval signatures, and eight instances totaling \$3,566.88. where the employee failed to state a purpose of travel on the settlement form.

The Governor's Cabinet has chosen to follow the West Virginia Purchasing Division Travel Management Unit's Travel Rules. Section 10 of these rules states:

"Section 10. Reimbursement Forms: The form(s) used for reimbursement of travel expenses shall be those promulgated by the Travel Management Office and State Auditor's Office."

Chapter 5A, Article 8, Section 9(b) 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. . . ." (Emphasis Added)

The completion of Travel Expense Settlement Forms serves to protect agencies from spending monies for purposes not intended by State law or for purposes not in the best interest of the State agency. The traveler's signature on the form certifies the costs incurred were in connection with the traveler's assigned duties and are true, accurate and actual. The approval signature of the agency head, or his or her designee, certifies the travel costs have been examined and the expenses are deemed reasonable, correspond to the assigned duties of the traveler, meet all of the State's travel regulations and are within the budget of the spending unit.

The Governor's Cabinet Fiscal Officer said the copies of the Travel Expense Settlement Forms made available by the Cabinet for our audit were copied from the original settlement forms prior to the agency obtaining signature approval. She further said the State Auditor's Office will not pay unapproved settlement forms.

We recommend the Governor's Cabinet on Children and Families comply with Section 10 of the West Virginia Purchasing Division Travel Management Unit's Travel Rules and Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended.

Agency's Response

Conference participants were not reimbursed for mileage, only for lodging. Conference participants are not state employees, but family representatives asked to provide input into particular state issues. It was the understanding of Cabinet staff that Travel Expense Settlement Forms are to be used for state employees only; therefore, direct billing was used to

pay lodging expenses. Cabinet staff will research the various and most appropriate procedures for reimbursing non-state employees for work performed.

Signatory Approval:

Copies of travel forms were sometimes made prior to signatory approval. Invoicing was begun, but was not entered into WVFIMS until signatory approval was received. In the future, all copies will be made following signatory approval.

Employee Purpose of Travel:

All Travel Expense Settlement Forms will be reviewed to ensure inclusion of the purpose of employee travel.

Employee Overpayments

We noted the Governor's Office overpaid two Governor's Cabinet employees a total of \$256.13. One of these employees was overpaid \$152.08 for annual increment. This employee had 17 years and 10 months of service as of the increment measurement date on July 1, 2001 and, therefore, should have been paid \$850 (17 years x \$50.00 yearly rate.) However, the employee received \$900 resulting in a \$50 increment overpayment for the year. The employee was also overpaid \$50 each year for annual increment in July 2002 and July 2003, as well as an additional \$2.08 for prorated annual increment on July 16, 2003 for the employee's termination pay.

The second employee was overpaid \$104.05 for annual leave termination pay. This employee, who resigned effective June 27, 2003, chose to use her annual leave balance of 29.62 days to remain on the payroll until the leave balance was exhausted. However, the Governor's Office Payroll Department deducted one less day of annual leave than required for the pay period ended June 30, 2003.

As a result, the employee remained on the payroll one additional day and was paid the equivalent of one extra day's pay for her annual leave settlement.

The overpayments resulted in these two employees being paid for services before such services were rendered, which is a violation of 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."

Additionally, Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended, states in part:

"(a) Every eligible employee with three or more years of service shall receive an annual salary increase equal to fifty dollars times the employee's years of service. In each fiscal year and on the first day of July, each eligible employee shall receive an annual increment increase of fifty dollars for that fiscal year.

(b) Every employee becoming newly eligible as a result of meeting the three years of service minimum requirement on the first day of July in any fiscal year, is entitled to the annual salary increase equal to fifty dollars times the employee's years of service, where he or she has not in a previous fiscal year received the benefit of an increment computation. Thereafter, the employee shall receive a single annual increment increase of fifty dollars for each subsequent fiscal year. . ." (Emphasis Added)

The Governor's Office Payroll Personnel Administrator told us the annual increment overpayments totaling \$152.08 were the result of miscalculating the employee's years of service. Corrections were made by the Administrator to the employee's total years of service in the EPICS leave system and the Governor's Office prior years of service spreadsheet. She added that the \$104.05 overpayment made to the second employee for annual leave payout was due to the agency not charging

an annual leave day for the last workday in June 2003, which was after the employee's effective date of resignation.

We recommend the Governor's Office comply with Chapter 12, Article 3, Section 13 and Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended.

Agency's Response

The overpayments to the two (2) former employees was due to a miscalculation of prior years' service and an oversight in the payroll process by the Governor's Administrative Office which serves as the payroll administrator for the Governor's Cabinet on Children and Families. The Governor's Administrative Office inadvertently overlooked a break in service on one employee, which caused the miscalculation of years of service and increment pay. Service records for employees with prior state service will be reviewed in an effort to assure that correct service dates are in place to avoid this error in the future.

The overpayment of one day of annual leave was due to an oversight. The Governor's Administrative Office policy currently includes a second review of final wage/payment calculations. This process will be examined for improvement and assurance of correct payment of final wages.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of appropriations/cash receipts, expenditures/disbursements and changes in fund balances of the Governor's Cabinet on Children and Families for the years ending June 30, 2003 and June 30, 2002. The financial statement is the responsibility of the management of the Governor's Cabinet on Children and Families. 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 as to 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 and modified cash bases of accounting, which are comprehensive bases of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the appropriations and expenditures and revenues collected and expenses paid by the Governor's Cabinet on Children and Families for the years ended June 30, 2003 and June 30, 2002 on the bases 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 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.

Respectively submitted,


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

October 7, 2003

Auditors: Michael A. House, CPA, Supervisor
Stanley D. Lynch, CPA, Auditor-in-Charge
Charles L. Lunsford
Trenton W. Morton
Bonita P. Compton
William H. J. Spencer, III, CPA Apprentice

**GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
STATEMENT OF APPROPRIATIONS/CASH RECEIPTS,
EXPENDITURES/DISBURSEMENTS AND CHANGES IN FUND BALANCES**

	<u>Year Ended June 30, 2003</u>		
	<u>General Revenue</u>	<u>Special Revenue</u>	<u>Federal Funds</u>
Appropriation/Cash Receipts:			
Appropriations	\$2,987,873.00	\$ 0.00	\$ 0.00
Grants	0.00	1,648,949.70	0.00
Donations	0.00	71,916.00	0.00
Federal Funds	0.00	0.00	275,935.00
Interest Earnings	<u>0.00</u>	<u>14,017.68</u>	<u>0.00</u>
	2,987,873.00	1,734,883.38	275,935.00
Expenditures/Disbursements:			
Personal Services	177,580.17	31,261.35	8,011.50
Employee Benefits	43,137.82	7,559.00	2,243.92
Current Expenses	943,990.52	531,323.07	189,241.05
Repairs and Alterations	5,238.40	0.00	28.20
Equipment	27,027.32	4,873.92	0.00
Grants	2,763,113.15	1,038,177.44	127,571.00
Payment of Claims	0.00	0.00	548.06
Public Employees Insurance Reserve Transfer	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	<u>3,960,087.38</u>	<u>1,613,194.78</u>	<u>327,643.73</u>
Appropriations/Cash Receipts (Under)/Over			
Expenditures Disbursements	(972,214.38)	121,688.60	(51,708.73)
Expirations and Expenditures After June 30	(52,524.64)	0.00	0.00
Beginning Balance	<u>1,605,470.50</u>	<u>1,122,132.53</u>	<u>60,591.06</u>
Ending Balance	<u>\$ 580,731.48</u>	<u>\$1,243,821.13</u>	<u>\$ 8,882.33</u>

See Notes to Financial Statement

<u>Combined Totals</u>	<u>General Revenue</u>	<u>Year Ended June 30, 2002</u>		<u>Combined Totals</u>
		<u>Special Revenue</u>	<u>Federal Funds</u>	
\$2,987,873.00	\$3,739,789.00	\$ 0.00	\$ 0.00	\$3,739,789.00
1,648,949.70	0.00	1,987,961.58	0.00	1,987,961.58
71,916.00	0.00	55,606.74	0.00	55,606.74
275,935.00	0.00	0.00	332,466.57	332,466.57
<u>14,017.68</u>	<u>0.00</u>	<u>25,853.46</u>	<u>0.00</u>	<u>25,853.46</u>
4,998,691.38	3,739,789.00	2,069,421.78	332,466.57	6,141,677.35
216,853.02	152,098.75	77,045.40	0.00	229,144.15
52,940.74	39,023.43	19,324.40	0.00	58,347.83
1,664,554.64	474,157.17	626,766.80	103,053.47	1,203,977.44
5,266.60	9,489.82	15.94	15.94	9,521.70
31,901.24	8,002.16	9,963.54	0.00	17,965.70
3,928,861.59	3,143,628.37	1,612,134.76	168,806.10	4,924,569.23
548.06	0.00	0.00	0.00	0.00
<u>0.00</u>	<u>1,678.00</u>	<u>771.00</u>	<u>0.00</u>	<u>2,449.00</u>
<u>5,900,925.89</u>	<u>3,828,077.70</u>	<u>2,346,021.84</u>	<u>271,875.51</u>	<u>6,445,975.05</u>
(902,234.51)	(88,288.70)	(276,600.06)	60,591.06	(304,297.70)
(52,524.64)	(29,333.00)	0.00	0.00	(29,333.00)
<u>2,788,194.09</u>	<u>1,723,092.20</u>	<u>1,398,732.59</u>	<u>0.00</u>	<u>3,121,824.79</u>
<u>\$1,833,434.94</u>	<u>\$1,605,470.50</u>	<u>\$1,122,132.53</u>	<u>\$ 60,591.06</u>	<u>\$2,788,194.09</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policy

Accounting Method: The modified cash basis of accounting is followed for the General Revenue Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. All balances of the General Revenue Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 31 days after the fiscal year-end; however, appropriations for buildings and land remain in effect until three years after the passage of the act by which such appropriations were made. The cash basis of accounting is followed by all other 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.

Expenditures paid after June 30, in the carry-over period and expirations were as follows:

<u>Expenditures</u>		<u>Expirations</u>	
<u>Paid After June 30,</u>		<u>July 31,</u>	<u>July 31,</u>
<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
<u>\$51,002.13</u>	<u>\$0.00</u>	<u>\$1,522.51</u>	<u>\$29,333.00</u>

Combined Totals: The combined totals contain the totals of similar accounts of the various funds. Since the appropriations and 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 - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are four and one-half percent of the annual compensation and employees have vested rights under certain circumstances. The Governor's Cabinet on Children and Families matches contributions at 9.5% of the compensation on which the employees made contributions.

The Governor's Cabinet on Children and Families' pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
General Revenue	\$16,611.12	\$14,689.62
Special Revenue	2,969.95	6,461.37
Federal Program	<u>761.11</u>	<u>0.00</u>
	<u>\$20,342.18</u>	<u>\$21,150.99</u>

SUPPLEMENTAL INFORMATION

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>Unclassified Account - (Account 0104-099)</u>		
Appropriations:		
Appropriations	\$315,057.00	\$310,956.00
Reappropriations	<u>132,824.73</u>	<u>137,852.42</u>
	447,881.73	448,808.42
Expenditures:		
Personal Services	177,580.17	152,098.75
Employee Benefits	43,415.64	39,023.43
Current Expenses	127,240.49	101,257.72
Repairs and Alterations	1,269.85	2,341.86
Equipment	6,359.15	3,437.85
Grants	90,493.92	16,146.08
Public Employees Insurance Reserve Transfer	<u>0.00</u>	<u>1,678.00</u>
	<u>446,359.22</u>	<u>315,983.69</u>
	1,522.51	132,824.73
Transmittals Paid After June 30	<u>51,002.13</u>	<u>0.00</u>
Balance	<u>\$ 52,524.64</u>	<u>\$132,824.73</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>Family Resource Networks Account - (Account 0104-274)</u>		
Appropriations:		
Appropriations	\$1,489,950.00	\$1,505,000.00
Reappropriations	<u>455,441.59</u>	<u>353,645.21</u>
	1,945,391.59	1,858,645.21
Expenditures:		
Current Expenses	408,424.61	246,634.17
Repairs and Alterations	2,574.95	4,744.08
Equipment	12,867.43	3,224.08
Grants	<u>1,123,433.35</u>	<u>1,148,601.29</u>
	<u>1,547,300.34</u>	<u>1,403,203.62</u>
	398,091.25	455,441.59
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 398,091.25</u>	<u>\$ 455,441.59</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>Starting Points/ Early Parent Education - (Account 0104-316)</u>		
Appropriations:		
Appropriations	\$1,182,866.00	\$1,244,500.00
Reappropriations	<u>459,348.28</u>	<u>347,965.21</u>
	1,642,214.28	1,592,465.21
Expenditures:		
Current Expenses	355,326.97	25,407.82
Repairs and Alterations	1,298.05	2,366.88
Equipment	6,955.67	1,340.23
Grants	<u>1,204,310.88</u>	<u>1,104,002.00</u>
	<u>1,567,891.57</u>	<u>1,133,116.93</u>
	74,322.71	459,348.28
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 74,322.71</u>	<u>\$ 459,348.28</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>Family Violence Coordinating Council - (Account 0104-362)</u>		
Appropriations	\$0.00	\$29,000.00
Expenditures:		
Current Expenses	0.00	0.00
Repairs and Alterations	0.00	0.00
Equipment	0.00	0.00
Grants	<u>0.00</u>	<u>0.00</u>
	<u>0.00</u>	<u>0.00</u>
	0.00	29,000.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$0.00</u>	<u>\$29,000.00</u>
 <u>Salary Shortfall - (Account 0104-497)</u>		
Appropriations	\$0.00	\$ 333.00
Expenditures	<u>0.00</u>	<u>0.00</u>
	0.00	333.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$0.00</u>	<u>\$ 333.00</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>Educare - (Account 0104-895)</u>		
Appropriations:		
Appropriations	\$ 0.00	\$ 650,000.00
Reappropriations	<u>557,855.90</u>	<u>883,629.36</u>
	557,855.90	1,533,629.36
Expenditures:		
Current Expenses	103,722.76	100,857.46
Repairs and Alterations	95.55	37.00
Equipment	845.07	0.00
Grants	<u>344,875.00</u>	<u>874,879.00</u>
	<u>449,538.38</u>	<u>975,773.46</u>
	108,317.52	557,855.90
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$108,317.52</u>	<u>\$ 557,855.90</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>Children's Fund - (Account 1011)</u>		
Cash Receipts:		
Donations	\$ 71,916.00	\$ 55,606.74
Investment Earnings	<u>14,581.83</u>	<u>27,669.38</u>
	86,497.83	83,276.12
Disbursements:		
Current Expenses	18,957.27	22,241.83
Grants	45,000.00	43,629.83
Transfers to State Treasurer's Office - Investment Account 280000000-02	<u>14,581.83</u>	<u>27,669.38</u>
	<u>78,539.10</u>	<u>93,541.04</u>
Cash Receipts Over/(Under) Disbursements	7,958.73	(10,264.92)
Beginning Balance	<u>104,367.40</u>	<u>114,632.32</u>
Ending Balance	<u>\$112,326.13</u>	<u>\$104,367.40</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>West Virginia Transition Grant Project - (Account 1013)</u>		
Cash Receipts:		
Grants	\$ 0.00	\$ 0.00
Disbursements:		
Personal Services	8,045.00	0.00
Employee Benefits	2,250.08	0.00
Current Expenses	14,283.31	61,181.77
Grants	<u>0.00</u>	<u>1,500.00</u>
	<u>24,578.39</u>	<u>62,681.77</u>
Cash Receipts (Under) Disbursements	(24,578.39)	(62,681.77)
Beginning Balance	<u>43,203.82</u>	<u>105,885.59</u>
Ending Balance	<u>\$18,625.43</u>	<u>\$ 43,203.82</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>Private Gifts, Grants and Donations - (Account 1014)</u>		
Cash Receipts:		
Grants	\$281,000.00	\$733,602.00
Disbursements:		
Personal Services	23,216.35	77,045.40
Employee Benefits	5,308.92	19,324.40
Current Expenses	199,300.06	269,696.48
Repairs and Alterations	0.00	15.94
Equipment	4,293.00	6,598.54
Grants	60,581.76	337,789.24
Public Employees Insurance Reserve Transfer	<u>0.00</u>	<u>771.00</u>
	<u>292,700.09</u>	<u>711,241.00</u>
Cash Receipts (Under)/Over Disbursements	(11,700.09)	22,361.00
Beginning Balance	<u>38,306.23</u>	<u>15,945.23</u>
Ending Balance	<u>\$ 26,606.14</u>	<u>\$ 38,306.23</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>Family Matters - (Account 1019)</u>		
Cash Receipts:		
Grants	\$1,232,484.50	\$1,065,525.00
Disbursements:		
Current Expenses	154,498.01	70,646.22
Grants	<u>932,595.68</u>	<u>1,227,715.69</u>
	<u>1,087,093.69</u>	<u>1,298,361.91</u>
Cash Receipts Over/(Under) Disbursements	145,390.81	(232,836.91)
Beginning Balance	<u>785.66</u>	<u>233,622.57</u>
Ending Balance	<u>\$ 146,176.47</u>	<u>\$ 785.66</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>Governor's Summit on West Virginia's Future - (Account 1032)</u>		
Cash Receipts:		
Grants	\$135,465.20	\$188,834.58
Disbursements:		
Personal Services	0.00	0.00
Employee Benefits	0.00	0.00
Current Expenses	132,280.47	201,396.58
Repairs and Alterations	0.00	0.00
Equipment	0.00	0.00
Grants	<u>0.00</u>	<u>1,500.00</u>
	<u>132,280.47</u>	<u>202,896.58</u>
Cash Receipts Over/(Under) Disbursements	3,184.73	(14,062.00)
Beginning Balance	<u>15,741.01</u>	<u>29,803.01</u>
Ending Balance	<u>\$ 18,925.74</u>	<u>\$ 15,741.01</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>AmeriCorps Promise Fellow Match - (Account 1036)</u>		
Cash Receipts	\$ 0.00	\$ 0.00
Disbursements:		
Personal Services	0.00	0.00
Employee Benefits	0.00	0.00
Current Expenses	12,003.95	1,603.92
Repairs and Alterations	0.00	0.00
Equipment	580.92	3,365.00
Grants	<u>0.00</u>	<u>0.00</u>
	<u>12,584.87</u>	<u>4,968.92</u>
Cash Receipts (Under) Disbursements	(12,584.87)	(4,968.92)
Beginning Balance	<u>14,929.33</u>	<u>19,898.25</u>
Ending Balance	<u>\$ 2,344.46</u>	<u>\$14,929.33</u>

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>Investments - Account (N280000000-02)</u>		
Receipts:		
Interest	\$ <u>14,017.68</u>	\$ <u>25,853.46</u>
	14,017.68	25,853.46
Disbursements	<u>0.00</u>	<u>0.00</u>
Cash Receipts Over Disbursements	<u>14,017.68</u>	<u>25,853.46</u>
Beginning Balance	<u>904,799.08</u>	<u>878,945.62</u>
Ending Balance	<u>\$918,816.76</u>	<u>\$904,799.08</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

FEDERAL PROGRAMS

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>Consolidated Federal Funds General Administration</u>		
<u>Account - Account 8792-700</u>		
Cash Receipts:		
Federal Funds	\$275,935.00	\$332,466.57
Disbursements:		
Personal Services	8,011.50	0.00
Employee Benefits	2,243.92	0.00
Current Expenses	189,241.05	103,053.47
Repairs and Alterations	28.20	15.94
Grants	127,571.00	168,806.10
Payment of Claims	<u>548.06</u>	<u>0.00</u>
	<u>327,643.73</u>	<u>271,875.51</u>
Cash Receipts (Under)/Over Disbursements	(51,708.73)	60,591.06
Beginning Balance	<u>60,591.06</u>	<u>0.00</u>
Ending Balance	<u>\$ 8,882.33</u>	<u>\$ 60,591.06</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Theodford 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 19th day of October, 2003.



Theodford 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 the Governor's Cabinet on Children and Families; Governor; Attorney General; State Auditor; and, Director of Finance Division, Department of Administration.