

STATE OF WEST VIRGINIA
AUDIT REPORT
OF
WEST VIRGINIA CHILDREN'S TRUST FUND
FOR THE PERIOD
JULY 1, 2005 - JUNE 30, 2007



OFFICE OF THE LEGISLATIVE AUDITOR
CAPITOL BUILDING
CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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To the Joint Committee on Government and Finance:

The objectives of this audit were to obtain the an understanding of the purpose of the Children's Trust Fund as conveyed by State Statute and to review revenues deposited in and expenditures paid from the Fund. Our report of the West Virginia Children's Trust Fund, as administered by the West Virginia Department of Health and Human Resources – Bureau of Children and Families, covered the period July 1, 2005 through June 30, 2007.

To achieve the above objectives, we performed the following:

- a. Obtained an understanding of the Governor's Cabinet and DHHR's responsibilities under the West Virginia Code and the Grant Agreements.
- b. Obtained a listing of receipt and disbursement transactions for the West Virginia Children's Trust Fund; and,
- c. Reviewed the disbursement transactions and supporting documents to determine whether each transaction was properly paid in accordance with West Virginia Code and the Grant Agreements.

The results of our work are contained in the General Remarks section of this audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stacy L. Sneed".

Stacy L. Sneed, CPA, Director
Legislative Post Audit Division

August 26, 2008

Auditors: Stanley D. Lynch, CPA, Audit Manager
Gregory M. Rogers, Auditor II
M. Hunter Delligatti, Auditor I

WEST VIRGINIA CHILDREN’S TRUST FUND

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EXIT CONFERENCE

We held an exit conference on September 3, 2008 with Cindy Smith, Administration Manager for the Governor's Office and Doug Robinson Chief Financial Officer for the Department of Health and Human Resources (DHHR)--Bureau for Children and Families. During the conference all findings and recommendations were reviewed and discussed. The responses of DHHR are included in bold and italics in the Executive Summary and after our findings in the General Remarks section of this report.

WEST VIRGINIA 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 Children's Trust Fund was established to grant monies to various entities for “child abuse and neglect prevention activities.” Funding sources included grants, gifts, bequests or donations, and voluntary contributions of a portion of refunds due taxpayers.

Prior to 2005 the Children's Fund was governed by the Governor's Cabinet on Children and Families. The Cabinet granted small community-based grants to various entities for the purpose of furthering children and families programs. During the period of July 1, 2005 through August 21, 2007 the administration of the Children’s Fund was in a state of transition. The administrative responsibilities of the Cabinet were discontinued in June 2005 by a Governor’s Declaration. The Declaration, dated June 10, 2005, stated in part:

“ . . . This declaration is a notice that I am transferring the responsibility for administration of the grant for Community-Based Child Abuse Prevention from the Governor’s Cabinet on Children and Families to the West Virginia Department of Health and Human Resources. . . .”

Although the CTF was still “administratively linked” to the Governor’s Office during this period and the CTF was an assigned fund under Governor’s Office organizational structure, the administrative responsibilities for the CTF were officially transferred by the Declaration from the Cabinet to the DHHR. In order to comply with the Declaration, the Governor’s Cabinet granted moneys from the Children’s Fund to the DHHR’s Bureau for Children Families (Bureau) and, in turn, the Bureau was responsible for awarding grants for child abuse and neglect prevention activities.

The Trust Fund prior to August 21, 2007 was governed by Chapter 5, Article 26, Section 6 of the West Virginia Code. With passage of Senate Bill 2007, which became effective August 21, 2007, the Children's Fund was transferred to the Bureau for Children and Families within the Department of Health and Human Resources (DHHR). The bill also officially changed the name of the fund from the "Children's Fund" to the "Children's Trust Fund." However, the Children's Trust Fund Advisory Committee still oversees the Children's Trust Fund's program directional goals.

On April 30, 2008 the Children's Fund Account with the Treasurer's Office was closed and the moneys transferred to DHHR's newly established Children' Trust Fund (5469). Effective July 1, 2008 the DHHR Bureau of Children and Families began withdrawing money directly from the fund to add to federal grants, appropriated DHHR moneys and other donations for the administration of Children's programs to meet the needs of West Virginia's abused and neglected children.

WEST VIRGINIA CHILDREN’S TRUST FUND

ADMINISTRATIVE OFFICERS AND STAFF

AS OF JUNE 30, 2007

GOVERNOR’S OFFICE

Cindy Smith Administrative Office Manager

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Martha Yeager Walker Cabinet Secretary

Tara L. Buckner, CPAChief Financial Officer

Doug Robinson, CFOAssistant Commissioner –
Bureau for Children and Families

Gail Totten Director of Grants and Contracts –
Bureau for Children and Families

WEST VIRGINIA CHILDREN'S TRUST FUND

EXECUTIVE SUMMARY

Inadequate Documentation

1. The Governor's Cabinet granted Children's Trust Fund (CTF) moneys to the DHHR-Bureau of Children and Families (Bureau) and the Bureau, in turn, granted these moneys to TEAM for West Virginia Children, Inc. (TEAM). The Bureau granted TEAM \$50,000.00 for each fiscal year of our report period. After reviewing the expenditure reports used by the Bureau to monitor recipient expenditures, we noted the descriptions provided by TEAM describing the expenses paid with CTF moneys were vague. Also, the FY 2007 grant, the Bureau combined CTF moneys with other State and Federal funds before granted the moneys per one grant to TEAM. As a result of the vague descriptions included on expenditure report forms and the commingling of moneys, we were unable to determine if the use of CTF moneys complied with the statutory requirements and the terms of the grant agreements.

Auditor's Recommendation

We recommend DHHR comply with the provisions of Exhibit D of the Grant Agreement with TEAM for WV Children and verify documentation for all expenditures and ensure that TEAM for WV Children is in compliance with West Virginia Code concerning expenditures of Children's Trust Fund monies.

DHHR'S Response

We concur with the recommendation. (See Pages 8-11)

Unauthorized Application of Grant Funds

2. After comparing the descriptions of Children's Trust Fund expenditures from TEAM's accounting ledgers to TEAM's Grant Work Program, it was apparent Children's Trust Fund moneys were used by TEAM for the purpose of increasing financial contributions to the trust fund. According to the Opinion of the Legislative Auditor's Office's Legal Division, "...The use of Children's Trust Fund monies to increase contributions to the trust fund is not permitted by state code. . . ." In addition, Children's Trust Fund moneys were used to pay TEAM employee wages, which conflicted with the TEAM Grant Work Plan.

Auditor's Recommendation

We recommend the Bureau comply with statute and only grant CTF moneys for child abuse and neglect prevention activities. We further recommend the Bureau develop procedures for monitoring grants that ensures CTF moneys are used as required by State

statute, grant agreements and grant work plans. Finally, the Bureau deny CTF moneys for use in fund raising activities or for any activities that conflict with the grant work plans or grant agreements.

DHHR'S Response

We concur in part, with the recommendations. (See Pages 11-17)

Investment of Children's Trust Fund Moneys

3. We noted a 26 day delay in the depositing the transfer of CTF moneys from the Governor's Office by DHHR with the Bureau of Treasury Investments causing a loss of interest of approximately \$2,300.00.

Auditor's Recommendation

According to a DHHR memorandum, DHHR has instituted a protocol to avoid future incidences of cash not being promptly invested with the BTI. We recommend the DHHR monitor this protocol to ensure it's effectiveness in complying with deposit requirements stipulated by State Statue.

DHHR'S Response

We concur with the recommendations. (See Pages 17-19)

Investment Account Balance (For Informational Purposes Only)

4. In the last several years the amount of CFT moneys maintained in the CTF investment account has growing steadily—even though grant awards have remained fairly constant. The balance of the CTF investment account has increased from approximately \$350,000.00 in 1994 to approximately \$1.1 million in 2008.

No Recommendation

WEST VIRGINIA CHILDREN'S TRUST FUND

GENERAL REMARKS

INTRODUCTION

We have completed the post audit of the West Virginia Children's Trust Fund (CTF), as required by Chapter 5, Article 26, Section 6 of the West Virginia Code, as amended. According to the statute, the "Children's Fund" was under the administration of the Governor's Cabinet during our audit period of July 1, 2005 through June 30, 2007. Even though the "Governor's Cabinet" remained intact, the administrative responsibilities of the Cabinet were discontinued in June 2005 by a Governor's Declaration. The Declaration, dated June 10, 2005, stated in part:

“. . . This declaration is a notice that I am transferring the responsibility for administration of the grant for Community-Based Child Abuse Prevention from the Governor's Cabinet on Children and Families to the West Virginia Department of Health and Human Resources. . . .”

With the passage of Senate Bill 2007 effective August 21, 2007, the fund was placed under the organizational structure of the Commissioner of the Department of Health and Human Resources' (DHHR) – Bureau of Children and Families. The bill also officially changed the name of the fund to the "Children's Trust Fund." This bill was codified as Chapter 49, Article 6C.

During our audit period of July 1, 2005 through June 30, 2007, the administration of the Children's Fund was in a state of transition. Although the CTF was still "administratively linked" to the Governor's Office during this period and the CTF was an assigned fund under Governor's Office organizational structure, the administrative responsibilities for the CTF were officially transferred by the Governor's Declaration from the Cabinet to the DHHR. In order to

comply with the Declaration, the Governor's Cabinet granted moneys from the Children's Fund to the DHHR's Bureau for Children Families (Bureau) and, in turn, the Bureau was responsible for awarding grants for child abuse and neglect prevention activities.

COMPLIANCE MATTERS

During our audit period, Children's Fund grants were made to the Bureau from the Governor's Office of \$50,000.00 for each of fiscal years 2006 and 2007. We reviewed and tested for compliance with the Grant Agreements in effect between the Governor's Cabinet and the Bureau for both fiscal years. The Bureau awarded all the moneys received from the Children's Fund grants to TEAM for West Virginia Children, Inc. (TEAM). We reviewed the grant award agreements between the Bureau and TEAM and tested for compliance with the terms therein. Additionally, we reviewed the TEAM grant proposals and expenditure reports submitted by TEAM to the Bureau. During our audit period, the CTF was governed by Chapter 5, Article 26 of the West Virginia Code, as amended. We tested for compliance with this article as well as other applicable sections of the West Virginia Code, legislative rules and other rules regulations and policies. Our findings are listed below.

1. Inadequate Documentation

During our audit period of July 1, 2005 through June 30, 2007, the Children's Fund was governed by Chapter 5, Article 26 of the West Virginia Code, as amended. Section 6 of this article stated in part:

“The cabinet shall establish a children's fund for the sole purpose of awarding grants, loans and loan guaranties for child abuse and neglect prevention activities....(d) Grants, loans and loan guaranties may be awarded from the children's fund by the cabinet for child abuse and neglect prevention activities. . . .”

When the fund was officially placed under the organization structure of the Department of Health and Human Services' (DHHR) Bureau for Children and Families (Bureau), effective August 21, 2007, Chapter 5, Article 26 was repealed and a new Children's Trust Fund was established by Chapter 49, Article 6C of the West Virginia Code. However, the portion of the above quoted statute stipulating the purpose of the Children's Trust Fund (CTF) remained essentially unchanged when the new article was established.

As stated in the Introduction section of this report, during our audit period the Governor's Cabinet granted CTF moneys to the Bureau and the Bureau, in turn, granted these moneys to TEAM for West Virginia Children, Inc. (TEAM). The Bureau granted TEAM \$50,000.00 for each of the fiscal years of our audit period (FYs 2007 and 2006).

In order to determine if funds granted to TEAM were used for "child abuse and neglect prevention activities" in accordance with the Statute quoted above, we requested the Bureau provide us with Expenditure Reports submitted to them by TEAM. According to DHHR staff, the Bureau used the reports to monitor the use of grant moneys. However, after reviewing these reports, we determined the descriptions provided by TEAM describing the expenses paid with CTF moneys were vague and, as a result, we were unable to determine if the use of CTF moneys complied with the statutory requirements and the terms of the grant agreements.

The description provided by TEAM on the final Expenditure Report for the fiscal year 2006 grant, dated October 16, 2006, contained the following descriptions for CTF expenses:

<u>Description</u>	<u>Amount</u>
CTF Development Coordinator	\$29,341.50
CTF Communications Contract	16,786.86
Radio PSAs For CTF	<u>171.64</u>
TOTAL	<u>\$50,000.00</u>

There was no information provided as to what specific services were received for the “Development Coordinator” or the “Communications Contract.” Also, no specific details were provided describing the purpose of the “Radio PSAs.”

For fiscal year 2007, \$50,000.00 in CTF moneys were combined by the Bureau with other State and Federal monies which, once combined, totaled \$203,000.00. This combined amount was then granted to TEAM by the Bureau per one grant agreement dated August 1, 2006. As a result of this commingling of funds from various sources, we were unable to distinguish the Children’s Fund moneys from the other moneys with which they were combined. Moreover, the descriptions provided by TEAM on the Expenditure Reports provided to the Bureau were even more indistinct than those of the previous year--as noted on the final Expenditure Report for fiscal year 2007 dated July 25, 2007. The descriptions included in the report are depicted in the following schedule:

<u>Description</u>	<u>Amount</u>
Contractual	\$168,543.55
Other	16,0002.45
Indirect Cost	<u>18,454.00</u>
TOTAL	<u>\$203,000.00</u>

We requested the Legal Division of the Legislative Auditor’s Office to render an opinion on whether descriptions on the Expenditure Reports submitted by TEAM were sufficient to determine whether or not the use of CTF moneys complied with directives of West Virginia Code. The Legal Division responded with a memorandum dated July 9, 2008, which states in part:

“ . . . grants, loans and loan guarantees may be awarded from the Children's Trust Fund by the Commissioner of the Bureau for Children and Families for child abuse and neglect prevention activities. . . . **The descriptions of how the monies were used**

does not provide sufficient information to allow determination of whether the funds were spent for prevention activities in compliance with applicable code.” (Emphasis Added)

Exhibit D of the grant agreement between the Bureau and TEAM for WV

Children states in part:

“ . . . A final report reconciling total payments received and **actual expenditures** incurred for the term of the agreement must be submitted to the Department within 45 days following the end of the Grant Agreement. Any payments received in excess of actual expenditures must be returned to the Department at the Department’s request. . . .” **(Emphasis Added)**

We believe the Bureau is not receiving sufficient documentation in order to determine if CTF moneys have been expended by the grantee in accordance with the West Virginia Code and the terms of the grant agreement. Inadequately supported CTF expenditures may result in the State being liable for reimbursement of CTF moneys.

We recommend DHHR comply with the provisions of Exhibit D of the Grant Agreement with TEAM and require the submission of supporting documents sufficient to conclude that Children’s Fund moneys granted to TEAM were expended in accordance with State statute and the grant agreement.

DHHR’S Response

We concur with the recommendation above and will amend sub grantee reporting requirements to ensure that monies expended from the CTF are more clearly identified in their expenditure reports with appropriate supporting documentation.

2. Unauthorized Application of Grant Funds

During our audit period the only direct recipient of Children’s Trust Fund (CTF) grants was TEAM for WV Children, Inc. (TEAM). TEAM received \$50,000.00 each for fiscal years 2007 and 2006. Due to the vagueness of the Expenditure Reports prepared by TEAM and

provided to us by DHHR's Bureau for Children and Families (Bureau), as well as the comingling of moneys for the fiscal year 2007 grant, (see *Inadequate Documentation* finding above), we could not determine if the use of CTF moneys complied with the Chapter 5, Article 26, Section 6 West Virginia Code, as amended, which stated in part:

“ . . . Grants, loans and loan guaranties may be awarded from the children's fund...**for child abuse and neglect prevention activities. . .**” (Emphasis Added).

Effective August 21, 2007, the CTF was officially transferred by Senate Bill 2007 from the Governor's Cabinet for Children and Families (Cabinet) to the Bureau. Chapter 5, Article 26 was repealed and it was replaced by Chapter 49, Article 6C of the West Virginia Code. There is nothing in the replacement article to suggest any change in the intended use of CTF moneys and, in fact, much of the language used in the newly created article mirrors the article it replaced. Chapter 49, Article 6C, Section 1 of the West Virginia Code states in part:

“ . . . Grants, loans and loan guarantees may be awarded from the Children's Trust Fund by the Commissioner of the Bureau for Children and Families for **child abuse and neglect prevention activities. . .**” (Emphasis Added)

Since we were unable to determine if TEAM's use of CTF moneys were authorized by Statute from the documentation submitted by TEAM to the Bureau, we requested the Bureau contact TEAM and request additional documentation that contained the detail necessary to audit CTF moneys for grant years 2007 and 2006. In response to this request, we were provided with TEAM's QuickBooks® ledger. The following schedules for each fiscal year of our audit period were compiled from these ledgers. As stated in the previous finding, the \$50,000.00 in Children's Fund moneys granted for fiscal year 2007 was pooled with other State and Federal funds prior to being granted to TEAM which, once combined, totaled \$203,000.00:

FISCAL YEAR 2007

Partners In Prevention Mini-Grants	\$100,000.00
Children’s Trust Fund Development Coordinator	26,789.00
Prevent Child Abuse-WV Media Consultant	25,046.51
Salaries and Wages	18,454.00
Public Service Announcements for Children's Trust Fund	16,708.04
Partners In Prevention - Materials & Postage	8,274.27
Partners In Prevention - Printing & Distribution	7,328.56
Prevent Child Abuse - WV Website	288.00
Telephone	93.30
Prevent Child Abuse WV Conf - Facility & Meals	<u>18.32</u>
TOTAL	<u>\$203,000.00</u>

FISCAL YEAR 2006

Children’s Trust Fund Development Coordinator	\$29,341.50
Prevent Child Abuse-WV Media Consultant	16,786.86
Administrative Salaries	3,700.00
Public Service Announcements for Children's Trust Fund	<u>171.64</u>
TOTAL	<u>\$50,000.00</u>

TEAM submitted a *Grant Work Plan FY 2007* to DHHR on June 20, 2006. The work plan indicated TEAM was using Children’s Fund moneys to facilitate the funding of two projects—*Partners in Prevention* and the *Children’s Trust Fund Development Campaign (Development Campaign)*. After reviewing the work plan, it was apparent the *Development Campaign’s* mission was to increase public contributions to the CTF. Page 1, Section I of the *Grant Work Plan FY 2007* states in part:

“. . . Children’s Trust Fund (CTF) Development Campaign began in December 2004....**This project has been funded by the Children’s Trust Fund and the CBCAP federal grant. (Emphasis Added)**

Page 6, Section III, Subsection B of the *Grant Work Plan FY 2007* states in part:

“. . . The purpose of the Development Campaign is to **increase financial contributions** to the WV Children’s Trust Fund. . . .”
(Emphasis Added)

Subsection C of the same Page and Section states in part:

“. . . The Development Campaign is staffed by two part-time contractors: . . . the Development Coordinator . . . and . . . Mountainside Media, the Communications Coordinator The Development Campaign will increase financial contributions to the WV Children’s Trust Fund (CTF) through the following activities:

- Coordinating a strategic planning process to grow the CTF;
- Development of communications strategies and materials to increase awareness of the CTF and encourage contributions to the CTF;
- Development and delivery of presentations about child abuse prevention and the CTF;
- Training for community agencies on publicizing the CTF;
- Increasing the number of CTF contributions both directly and via the state income tax form;
- Training for tax preparers about the CTF check-off box on the state income tax form;
- Exploring, developing and implementing additional methods and systems, such as Heirloom Birth Certificates, for generating increased support of the CTF;
- Increasing the growth and rate of return for the CTF’s existing assets;
- Promoting online contributions to the CTF through personalized tribute gift cards in conjunction with Mother’s Day, Father’s Day, Grandparent’s Day and other special occasions;
- Collaboration with business leaders, organized labor, faith-based organizations and other targeted audiences regarding contributions to the CTF;
- Development, implementation and evaluation of media campaigns;
- Identification of promising practices for state Children’s Trust Funds across the country;
- Participation in the review of CTF funding projects; and,
- Other activities that further the purpose of the Development Campaign”

We requested the Legal Division of the Legislative Auditor's Office to render a legal opinion on whether or not monies from the Children's Trust Fund could be used for fund raising activities. The Legal Division responded to our request in a memo dated July 9, 2008, which states in part:

“. . . The fund is still to be used for the sole purpose of awarding grants, loans and loan guarantees for child abuse and neglect prevention activities. . . . **The use of Children's Trust Fund monies to increase contributions to the trust fund is not permitted by state code. . . .**” (Emphasis Added)

After comparing the descriptions of grant expenditures from TEAM's ledgers to TEAM's Grant Work Program, it seems apparent that at a minimum, \$68,543.55 of the FY 2007, and \$46,300.00 of the FY 2006 moneys granted to TEAM were used for the purpose of increasing financial contributions to the trust fund. As previously stated, the \$203,000.00 FY 2007 grant included \$50,000.00 of CTF moneys and the entire \$50,000.00 grant for FY 2006 was CTF moneys.

In addition, page 8, Section IV, of TEAM's *Grant Work Plan FY 2007* states in part:

“This grant does not fund any employees. . . .”

Although the Grant Work Plan expressly stated that grant moneys would not be used to fund employees, the QuickBooks® ledgers for both fiscal years 2007 and 2006 indicated otherwise. According to the ledgers, and as illustrated in the schedules above, \$18,454.00 was expended for “salaries and wages” from 2007 CTF moneys and \$3,700.00 was expended for “administrative salaries” from 2006 grant moneys.

We believe the Bureau did not adequately monitor how grant moneys were used by TEAM. As a consequence, some CTF moneys were not used “...for the sole purpose of

awarding grants, loans and loan guarantees for child abuse and neglect prevention activities...” as was required during our audit period by Chapter 5, Article 6, Section 26 of the West Virginia Code, as amended, and as currently required by Chapter 49, Article 6C, Section 1 of the West Virginia Code. Further, a total of \$22,154.00 in CTF moneys was used to pay salaries of TEAM employees, which violated the terms of the *Grant Work Plan for FY 2007* submitted by TEAM to the Bureau.

We recommend the Bureau comply with Chapter 49, Article 6C, Section 1 of the West Virginia Code and only grant CTF moneys for child abuse and neglect prevention activities. We further recommend the Bureau develop procedures for monitoring grants that ensures CTF moneys are used as required by State statute, grant agreements and grant work plans. Finally, we recommend the Bureau deny CTF moneys for use in fund raising activities or for any activities that conflict with the grant work plans or grant agreements.

DHHR’s Response

We concur, in part, with the recommendations above and will ensure that monies expended from the CTF are used in accordance with Chapter 49, Article 6C, Section 1 of the West Virginia Code for child abuse and neglect activities. However, we feel it important to mention we have already developed and implemented monitoring procedures for sub grants. We will strengthen those procedures as indicated in our response to the finding on Inadequate Documentation.

According to the audit report funds were “commingled”. The funds were pooled to most efficiently administer them. This however has presented a problem in that not all sources had the restrictions that were imposed by the code. Because the funds were pooled,

those expenditures which did comply with the code can not definitively be traced back to those in the CTF.

In adherence with the recommendations and the legal opinion in the Auditor's report, we will ensure the CTF funds are only expended for child abuse and neglect prevention activities. Further more, we will monitor the grantee more closely to ensure funds won't be expended for any activities in conflict with grant work plans or grant agreements.

We have included as part of our response the boiler plate language that TEAM uses to subgrant monies for child abuse prevention activities and the list of entities that received the subgrants (Exhibit 1). For State Fiscal Year 2007 the total amount dispensed by TEAM for child abuse neglect and prevention subgrants was \$100,000. The work plan submitted by TEAM for State Fiscal Year 2007 indicated that CTF funds were to be expended for activities that are apparently in conflict with the intent and purpose of Chapter 49, Article 6C, Section 1 of the West Virginia Code. However, \$100,000 of the \$203,000 expended by TEAM meets the intent and purpose of Chapter 49, Article 6C, Section 1 of the West Virginia Code as indicated in the information in Exhibit 1. One could reasonably conclude that \$50,000 of the \$100,000 was CTF monies and therefore, was used for the intent and purpose prescribed in WV Code.

We agree that CTF monies should not be used for fund raising activities or for any activities that conflict with the grant work plans or grant agreements. Our current and future grant agreements will contain appropriate language to ensure that CTF funds are to be used only for the intent and purpose described Chapter 49, Article 6C, Section 1 of the West Virginia Code.

3. Investment of Children’s Trust Fund Moneys

Chapter 12, Article 6C, Section 6 of the West Virginia Code, states in part:

“ . . . (b) Each spending unit authorized to invest moneys shall unless prohibited by law, request the State Treasurer to invest its moneys. Based upon spending unit representations, the State Treasurer shall send the moneys to the West Virginia Board of Treasury Investments or to the Investment Management Board for investment. . . .”

Senate Bill 2007 mandated the transfer of the Children’s Trust Fund (CTF) moneys from the Governor’s Office to the Department of Health and Human Resources’ (DHHR) Bureau for Children and Families (Bureau). In order to complete the transfer, it was first necessary for the Governor’s Office to close their Children’s Fund investment account held with the Treasurer’s Office Board of Treasury Investments (BTI) and transfer the \$1,127,598.76 balance held in the investment account to the Governor’s Cabinet Children’s Fund (1011). After this transfer was completed on April 25, 2008, the Governor’s Office promptly transferred the \$1,127,702.33 balance of CTF moneys from their Children’s Fund (1011) into the Bureau’s newly established Children’s Trust Fund (5469).

Even though the DHHR had an approved BTI investment account for CTF moneys when they received custody of the funds on April 25, 2008, they did not initiate a transfer to the investment account until May 21, 2008—26 days after they received custody. We estimate the Bureau could have earned approximately \$2,300.00 in additional investment earnings had the CTF moneys been invested at the time the Bureau first received custody of the moneys.

In responding to our questions concerning the delay in investing the CTF moneys, the DHHR Chief Financial Officer provided a written reply through a memorandum dated August 19, 2008. This memorandum states in part:

“ . . . To address your question regarding the length of time that lapsed between April 25, 2008 when the Governor’s office transferred the Trust Fund balance to the DHHR (Department of Health and Human Resources) to the time DHHR transferred funds to the investment account on May 20, 2008, I offer the following response.

There wasn’t a process in place at the time that identified the appropriate place for the investment responsibility, draw of cash, etc, because these functions cross multiple organizations within the Department. There needed to be several discussions between various staff to make sure we had a process in place and all appropriate staff was informed. This took some time.

Through these discussions, we have established a protocol and this should not be an issue in the future. The cash on hand that needs to be transferred to the investment account will be done expeditiously. . . .”

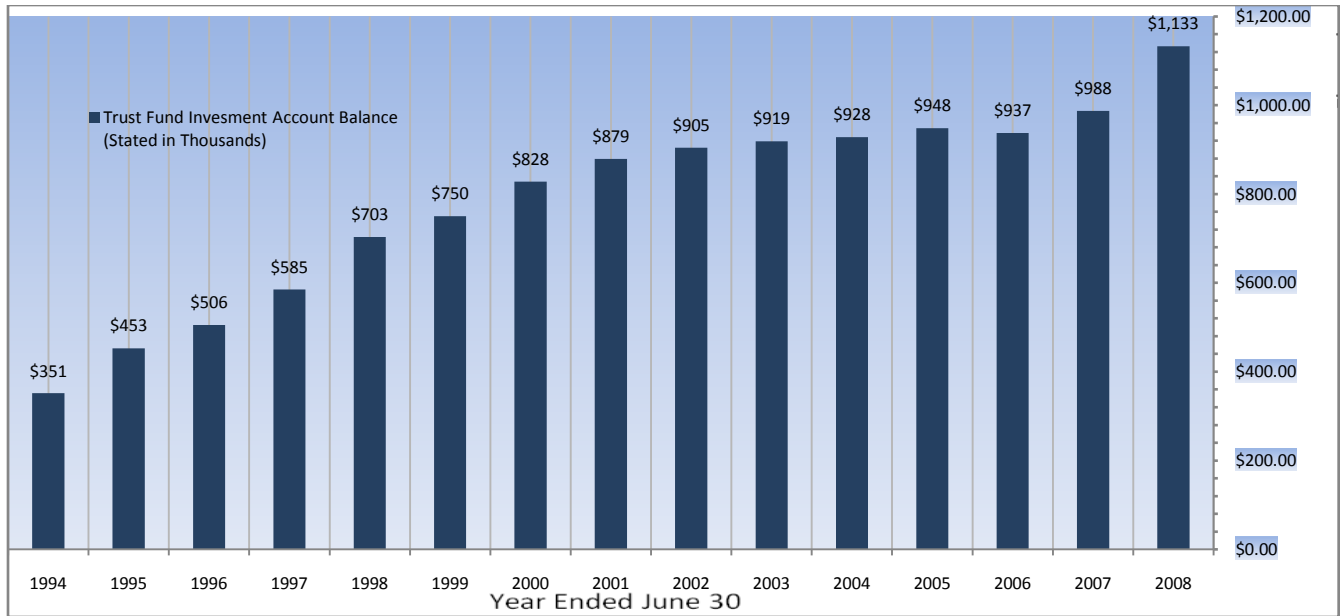
According to the DHHR memorandum quoted above, DHHR has instituted a protocol to avoid future incidences of cash not being promptly invested with the BTI. We recommend the DHHR monitor this protocol to ensure it’s effectiveness in complying with deposit requirements stipulated in Chapter 12, Article 6C, Section 6 of the West Virginia Code.

DHHR’s Response

We concur with the recommendation and will monitor our protocol.

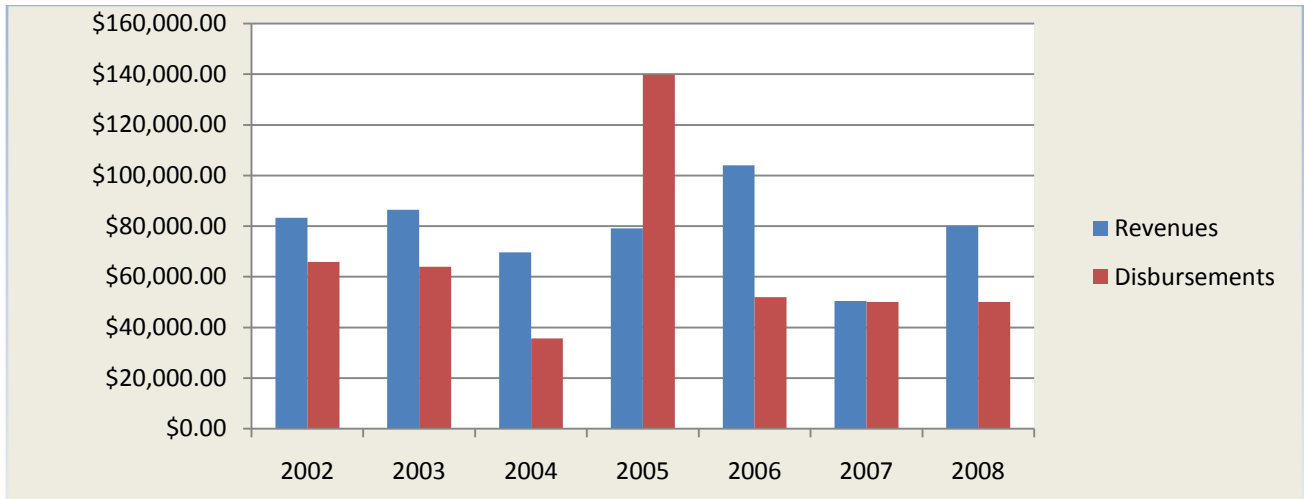
4. Investment Account Balance (For Informational Purposes Only)

In the last several years, the amount of CFT moneys maintained in the CTF investment account has growing steadily—even though grant awards have remained fairly constant. The following chart illustrates the growth of the CTF investment account from June 30, 1994 through June 30, 2008.

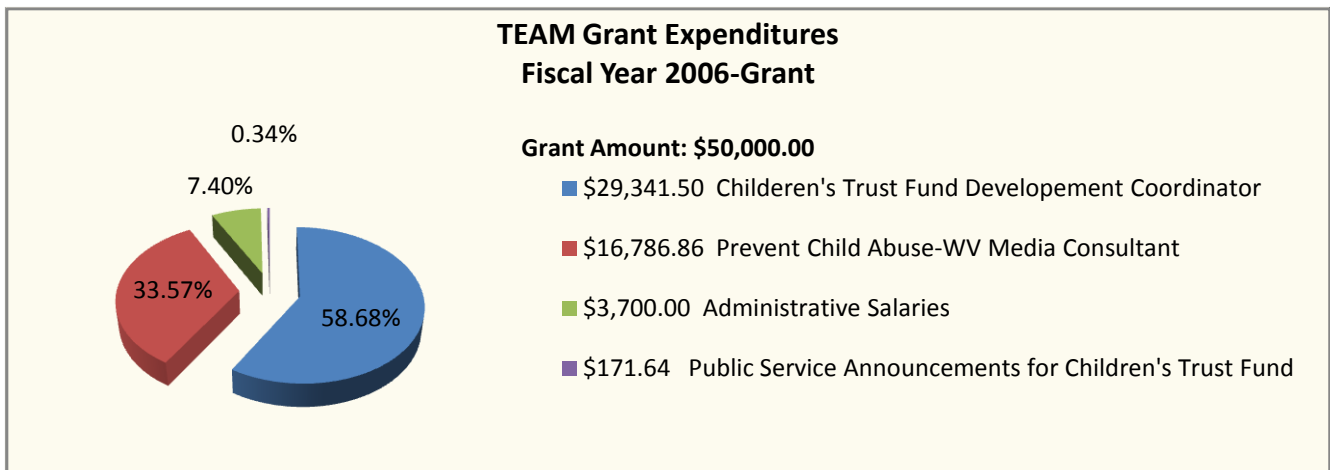


A considerable majority of revenues for the CTF are received from taxpayers who donate a portion of their State income tax return. To donate tax return moneys to the CTF, taxpayers mark the “check-off” box on their State tax return, which indicates a portion of their tax return is to be diverted to the CTF. The CTF also receives revenues through investment earnings and on-line contributions through the CTF website.

Since its inception in 1990, the Governor’s Cabinet disbursed CTF moneys to various community-based programs by way of a series of small “mini-grants.” However, since fiscal year 2006, TEAM has been the Bureau’s only CTF grant recipient. TEAM, however, does subsequently re-grant some of these moneys to community-based programs. Occasionally, a small amount of CTF moneys have been disbursed directly from the trust fund to cover miscellaneous expenses. The following graph shows the revenues received and moneys disbursed from the CTF each fiscal year since 2002:

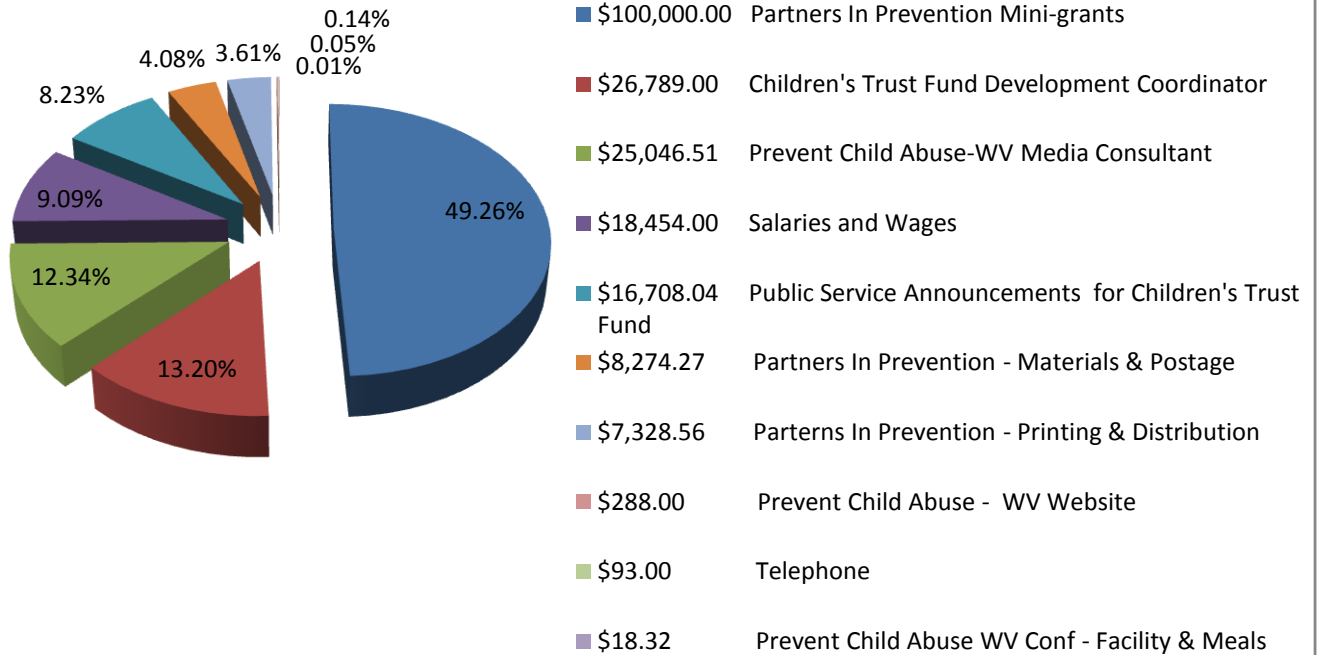


The following chart presents a graphical representation of how CTF funds were expended by TEAM for fiscal year 2006.



As stated earlier in the report, the Bureau combined \$50,000.00 of CFT moneys with other State and Federal moneys that, once combined, totaled \$203,000.00. This amount was granted to TEAM through one grant. The following chart is a graphical representation of how these moneys were expended by TEAM for fiscal year 2007:

\$203,000.00 Team WV Expenditure Report Fiscal Year 2007



The largest portion of the moneys disbursed went to Partners in Prevention, a statewide initiative aimed at helping communities keep children safe, however, only 22 counties are currently participating in the program. The program is co-sponsored by the Benedum Foundation and DHHR. Participating community teams receive annual grants to engage in projects to prevent child abuse and strengthen families. The portion associated with administrative salaries and wages that was charged to the grant was for the Executive Director, Office Manager and Administrative Assistant for TEAM for WV Children.

EXHIBIT

AGREEMENT

This agreement, made and entered into as of the 1st day of July 2006 by and between **TEAM FOR WEST VIRGINIA CHILDREN, INC.**, a West Virginia corporation, party of the first part, hereinafter referred to as "Corporation", and **Children's Home Society**, party of the second part, hereinafter referred to as "Grantee".

Whereas, the Corporation desires to support community efforts throughout West Virginia that strengthen families and protect children; and

Whereas, the Corporation has received funding from the Claude Worthington Benedum Foundation, the West Virginia Department of Health and Human Resources, and the West Virginia Children's Trust Fund for Partners in Prevention, a program of workshops, networking, and mini-grants; and

Whereas, Grantee has submitted a successful proposal and was awarded a grant by the Corporation for the prevention of child abuse and neglect.

Now, Therefore, Witnesseth: That, for and in consideration of the mutual covenants and agreements hereinafter set forth, and the benefits to inure to each of the parties therefrom, the parties hereto do covenant and agree as follows:

A. Service

1. By the Grantee

- a) The Grantee shall conduct a child abuse and neglect prevention project as described in Grantee's "Partners in Prevention Mini-Grant Plan" attached hereto and by this reference made a part of hereof as **Exhibit A**.
- b) The Grantee assures that the Team Leader for this project or a designated substitute will participate in two two-day meetings to be scheduled for Partners in Prevention Team Leaders.
- c) The Grantee assures that it is a tax-exempt, nonprofit corporation with the administrative capacity to manage the mini-grant and submit all required financial reports.
- d) The Grantee shall include verbal and written recognition of the funders of Partners in Prevention whenever feasible. The funders are the Claude Worthington Benedum Foundation, the WV Children's Trust Fund, and WV Department of Health and Human Resources.
- e) To assist with sustainability of the project, the Grantee shall distribute at least four promotional announcements for the Children's Trust Fund. Announcements shall be prepared by the Corporation and may be adapted by the Grantee for local audiences.

- f) The Grantee shall participate in evaluation activities conducted by the Corporation to assess the effectiveness of the Partners in Prevention initiative. These activities may include interviews, surveys and similar activities.

2. By the Corporation

- a) Corporation shall provide funding as detailed in this agreement.
- b) Corporation shall provide programs and materials for team leader meetings and workshops.
- c) Corporation shall prepare and provide promotional announcements for the Children's Trust Fund.
- d) Corporation shall provide reports on evaluation findings for the Partners in Prevention initiative.

B. Invoicing and payment

The Grantee shall submit invoices on the form developed by the Corporation, attached hereto as **Exhibit B**. Invoices shall be submitted according to the following schedule:

1st payment (due after July 1, 2006)	\$3,750
2nd payment (if necessary)	up to \$3,750
- 2 nd invoice has to be submitted no later than June 30, 2007.	

The maximum reimbursable cost of the services to be provided through this agreement will be \$7,500. After the Grantee has spent its first installment, it can request the second installment by submitting to the Corporation an invoice, financial report, and activity report, attached hereto as **Exhibits B, C, and D**. The Grantee may choose to submit an invoice for the second installment based on actual expenses upon completion of the project, accompanied by a final financial report and activity report.

All costs related to this agreement must be incurred no later than June 30, 2007. The final financial report and activity report must be received no later than July 31, 2007. The Grantee will refund any unexpended funds to the Corporation upon submitting this report.

Invoices shall be sent to **Laurie McKeown, TEAM for West Virginia Children, P.O. Box 1653, Huntington, WV 25717**.

C. Subcontracts

The Grantee may enter into written subcontracts for performance of work under this agreement. The Grantee is solely responsible for payments to the subcontractor. The Grantee also understands that any subcontracts shall be subject to all requirements of this agreement unless specifically exempted by the Corporation in written instrument indicating approval.

No subcontracting or assignment hereunder shall in any event or in any manner be deemed to provide for the occurrence of any obligation by the Corporation in excess of or in addition to the compensation provided herein.

The Grantee is responsible for the fiscal and program performance of any subcontractor and shall monitor the quality of services and compliance with the terms of the subcontract.

D. Monitoring and audits

The Grantee agrees to conform with generally accepted accounting and auditing practices and to retain all books, records and other documents relating to this agreement and performance thereof for three years after receipt of final payment for such services. State auditors, program monitors, and any persons duly authorized by the Corporation shall have full access to, and right to examine, any such books, records, or other documents during the three year period.

The Grantee agrees to have a financial and compliance audit of its total entity for its annual fiscal period, in accordance with OMB Circular A-133, "Audits of State and Local Governments and Other Non-Profit Institutions" and the "Government Auditing Standards", 1988 Revision (commonly called the GAO "Yellow Book"). The Grantee shall furnish the Corporation with two copies of the audit report within 180 days of the end of the Grantee's annual fiscal (audit) period. All questioned and/or disallowed costs identified in the audit that cannot be resolved to the Corporation's and/or the appropriate Federal granting Grantee's satisfaction will require restitution to the Corporation no later than 240 days following the audit period. Audit work papers and reports shall be retained for a minimum of three years from the date of the audit report. Audit work papers shall be made available upon request to the Corporation or its designee, as well as the appropriate state or federal granting agent.

Should the Grantee's receipts of federal funds from all sources be less than \$300,000 annually, the Grantee may have an audit of funds from this agreement only in place of an audit of its total entity. Unless the receipt of federal funds from all sources is more than \$300,000 annually, federal funds cannot be used to cover the costs of the audit.

Should the Grantee's receipts of federal funds from all sources be less than \$300,000 annually, the Grantee may request of the Corporation in writing, with adequate documentation, an exception from the audit requirement. The granting of an exemption to the formal requirement is solely at the discretion of the Corporation.

E. Restrictions

1. Capital expenditures, such as buildings, furnishings, equipment, and vehicles, may not exceed \$2,000 of the grant.
2. Administrative costs may not exceed 10% of the program expenses of the grant.

3. A match, cash and/or in-kind, of 20% must be provided from non-federal sources.
4. Grant funds may not be used for any activities intended to influence legislation or elections; bad debts; depreciation; fines or penalties; and interest or other financial costs.

F. Conflict of Interest

The Grantee attests that it, its officers or members, employees, or subgrantees presently have no interest and shall not acquire any interest direct or indirect which would conflict or compromise in any manner the performance of services. The Grantee further attests that during the performance of the Grant Agreement, the Grantee shall periodically question its officers, members and employees concerning such interests. Any such interest discovered shall be promptly presented in detail to the corporation. The Grantee will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal gain.

G. Safeguarding confidential information

The Grantee will assure, through its subcontractor, that all staff working with the program and having access to any confidential information sign assurances of confidentiality as a condition of employment. These assurances are to be filed in the employee's personnel file.

The use or disclosure by any party of any information concerning a recipient of services for any purpose not directly connected with the administration of subcontractor's responsibility with respect to such services rendered hereunder is prohibited except upon written consent of the recipient of such services, or of his or her attorney or his or her responsible parent or guardian.

H. Compliance with statutory requirements

Grantee will comply with all applicable Federal requirements prohibiting discrimination both in employment practices and client services. These requirements include the prohibition of discrimination on the basis of age under the Age Discrimination Act of 1975, on the basis of handicap under Section 504 of the Rehabilitation Act of 1973, on the basis of sex under Title IX of the Education Amendments of 1972, on the basis of race, color, or national origin under Title VI of the Civil Rights Act of 1964, or on the basis of disability under the Americans with Disabilities Act of 1990.

Grantee will furnish, as requested, documentation of compliance with Civil Rights Requirements specified.

I. Certification regarding debarment, suspension, and other responsibility matters

Grantee certifies that no entity, Grantee, or person associated with the Grantee is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs under Executive order 12549, "Debarment and Suspension."

J. Certification of drug-free workplace

Grantee certifies that a drug-free workplace, in accordance with the specific requirements of the Drug-Free Workplace Act of 1988, will be provided and/or maintained with a good faith effort, including, at a minimum, having a policy statement.

K. Certification regarding Environmental Tobacco Smoke/Pro-Children Act of 1994

Grantee certifies that smoking will not be permitted in any portion of any indoor facility owned, leased or contracted for by the Grantee and used routinely or regularly for the provision of health, day care, education or library services to children under the age of 18. This requirement is applicable to all services funded by federal programs, either directly or through state or local governments, by federal grant, contract, loan, or loan guarantee.

L. Liability

Grantee is an independent contractor and as such the Corporation will not be liable for any civil or criminal claims filed by or on behalf of applicants, recipients, or any personnel in the performance of and during the period covered by this Agreement. Grantee agrees that it will, at all times during the term of this Agreement, indemnify and hold harmless the Corporation against any and all liability, loss or damages incurred or resulting from any act, acts of omission on the part of Grantee, its agents or employees.

Grantee agrees that in order to protect itself as well as the Corporation, it will at all times during the term of this Agreement have and keep in force a liability insurance policy which shall include General Liability, Personal Injury, and Directors and Officers Liability and Professional Liability, where applicable.

M. Political activity

Grantee shall not endorse or support any candidate running for partisan political office. No funds provided under this Agreement shall be expended to support any legislative lobbying efforts of Grantee related to specific legislation. Grantee shall certify that no federal appropriated funds have been paid or will be paid, by or on behalf of the Grantee or an employee thereof, to any person for purposes of influencing or attempting to

influence an officer or employee of any Federal agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan, or cooperative agreement.

If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee or any agency, a Member of Congress, an officer or employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, Grantee shall immediately complete and submit a disclosure form to report lobbying.

Grantee shall require that the language of this certification be included in the award documents for all subawards at all tiers (including, but not limited to subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements), and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this Grant Agreement was made. Submission of this certification is a prerequisite for making and entering into this Grant Agreement imposed under 31 U.S.C. & 1351. Any person who fails to file the required certification shall be subject to a civil penalty.

N. Renegotiation or modification

Any alteration, variation, modification, amendment, or waiver of any provision of this agreement shall be valid only if in writing, duly executed by both parties hereto, and attached to this agreement.

O. Cancellation

1. It is agreed that in the event reimbursement to the Corporation from private, state and federal sources is not sufficient to allow for the purchase of the indicated quantity of services, the obligations of each party hereunder shall be terminated with, if necessary, less than thirty days notice.
2. With the exception of non-appropriation of funds listed above, this agreement may be canceled by either party at any time, with reasonable cause, upon not less than thirty days notice, in writing.

P. Agreement complete

This agreement, and all related exhibits, contains all the terms and provisions relating to the subject matter hereof, and constitutes the entire agreement of the parties, and there are

no other understandings, oral or otherwise, regarding the subject matter of this agreement.

Q. Public Notice

Grantee shall give credit, whenever feasible, in any publicity, printed materials, programs, press releases, as follows: "This program is being supported by grants from Claude Worthington Benedum Foundation, the WV Children's Trust Fund, and WV Department of Health and Human Resources.

R. State and/or Federal Compliance

The Grantee shall comply with all applicable State and Federal laws and regulations in the performance of this Grant Agreement.

S. Terms of agreement

This agreement shall take effect on July 1, 2006, and shall terminate on June 30, 2007.

IN WITNESS WHEREOF, the Corporation has caused its name to be hereto signed, by its Executive Director thereunto duly authorized, and the Contractor has hereunto set her hand and seal, all as of the day and year first above written.

TEAM FOR WEST VIRGINIA CHILDREN, INC.,
a West Virginia corporation

BY: Jamie Miller _____ 12-5-06
Date
Executive Director
Title

Donald Smith _____ 8-4-06
Grantee Date
CEO
Title

SUPPLEMENTAL INFORMATION

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

CHILDREN'S FUND

COMBINED STATEMENT OF CASH RECEIPTS & DISBURSEMENTS

FOR THE CHILDRENS FUND (1011) AND THE CHILDRENS FUND

INVESTMENT ACCOUNT

JULY 1, 2005 TO JUNE 30, 2007

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
CASH RECEIPTS:		
Private Gifts And Other Donations	\$ 200.00	\$ 63,860.00
Other Collections, Fees, Licenses, and Income	754.22	2,318.55
Investment Earnings	<u>50,102.43</u>	<u>39,305.31</u>
	51,056.65	105,483.86
Disbursements:		
Hospitality (Reimbursement)	0.00	(90.69)
Grant Awards - Fund 1011	50,000.00	52,000.00
Computer Services	11.49	0.00
Miscellaneous	<u>0.00</u>	<u>0.00</u>
	<u>50,011.49</u>	<u>51,909.31</u>
Cash Receipts Over Disbursements	1,045.16	53,574.55
Beginning Balance	<u>1,059,476.68</u>	<u>1,005,902.13</u>
Ending Balance	<u>\$1,060,521.84</u>	<u>\$1,059,476.68</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

CHILDREN'S FUND

STATEMENT OF CASH RECEIPTS & DISBURSEMENTS

FOR THE CHILDRENS FUND (1011)

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES

JULY 1, 2005 TO JUNE 30, 2007

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>Children's Fund (1011)</u>		
CASH RECEIPTS:		
Private Gifts And Other Donations	\$ 200.00	\$ 63,860.00
Other Collections, Fees, Licenses, and Income	754.22	2,318.55
Investment Earnings	49,514.94	37,882.20
Transfers from CTF Investment Account	<u>0.00</u>	<u>50,000.00</u>
	50,469.16	154,060.75
Disbursements:		
Transfer to Children's Fund - Fund No. 1011	49,514.94	0.00
Hospitality (Reimbursement)	0.00	(90.69)
Transfers to CTF Investment Account	50,000.00	37,882.20
Grant Awards - Fund 1011	11.49	52,000.00
Computer Services	<u>0.00</u>	<u>0.00</u>
	<u>99,526.43</u>	<u>89,791.51</u>
Cash receipts over disbursements	(49,057.27)	64,269.24
Beginning Balance	<u>122,037.18</u>	<u>57,767.94</u>
Ending Balance	<u>\$ 72,979.91</u>	<u>\$122,037.18</u>

GOVERNOR'S CABINET ON CHILDREN AND FAMILIES
CHILDREN'S FUND CHILDREN'S FUND INVESTMENT ACCOUNT
STATEMENT OF CASH RECEIPTS & DISBURSEMENTS

JULY 1, 2005 TO JUNE 30, 2007

	<u>YEAR ENDED JUNE 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>Investments - Account No. 280000000-02</u>		
Receipts:		
Investment Earnings	\$ 50,102.43	\$39,305.31
Disbursements:		
Disbursement:		
Transfer to Children's Fund (1011)	0.00	50,000.00
Miscellaneous	<u>0.00</u>	<u>0.00</u>
	<u>0.00</u>	<u>50,000.00</u>
Cash Receipts Over Disbursements	50,102.43	(10,694.69)
Beginning Balance	<u>937,439.50</u>	<u>948,134.19</u>
Ending Balance	<u>\$ 987,541.93</u>	<u>\$937,439.50</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, 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 8th day of September, 2008.

A handwritten signature in cursive script that reads "Stacy L. Sneed".

Stacy L. Sneed, 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 Children's Fund, Governor; Attorney General; State Auditor; and, Director of Finance Division, Department of Administration.