

LEGISLATIVE AUDIT REPORT
WEST VIRGINIA UNIVERSITY
INSTITUTE OF TECHNOLOGY

FOR THE PERIOD JULY 1, 2007 - JUNE 30, 2008

REPORT OVERVIEW

Travel Authorization Forms were not properly approved prior to travel and were not being submitted timely.

Staff members other than those designated as "Receivers" were permitted to receive goods. Receiving reports were not always prepared within 24 hours as required.

Equipment had been abandoned for nearly a year without being utilized in the new cafeteria facility and without proper disposal.



WEST VIRGINIA LEGISLATIVE AUDITOR
POST AUDIT DIVISION



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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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 conducted a post audit of West Virginia University Institute of Technology for the period of July 1, 2007 through June 30, 2008.

We have conducted our audit in accordance with auditing standards generally accepted in the United States. Our audit disclosed certain findings, which are detailed in this report. The Spending Unit's management responded to the audit findings; we have included the responses following each finding.

Respectfully submitted,

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

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

WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY
JULY 1, 2007 – JUNE 30, 2008

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WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY
JULY 1, 2007 – JUNE 30, 2008

INDEPENDENT AUDITOR'S REPORT

Post Audit Subcommittee:

Compliance

We have audited the West Virginia University's Institute of Technology's (WVUIT) compliance with the laws, rules, and regulations applicable for the fiscal year 2008. Compliance with the requirements referred to above is the responsibility of WVUIT's management. Our responsibility is to express an opinion on the WVUIT's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on WVUIT. An audit includes examining, on a test basis, evidence about WVUIT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of WVUIT's compliance with those requirements.

In our opinion, except for noncompliance noted in the findings of this report, WVUIT complied, in all material respects, with the compliance requirements referred to above that are applicable for fiscal year 2008.

Internal Control

Management of WVUIT is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered WVUIT's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the WVUIT's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify deficiencies in internal control over compliance that we consider to be a *material weakness*.

This communication is intended solely for the information and use of the Post Audit Subcommittee, the members of the WV Legislature, and management of WVUIT. However, once released by the Post Audit Subcommittee, this report is a matter of public record and its distribution is not limited.

Respectfully Submitted,

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

April 21, 2010

EXECUTIVE SUMMARY

Finding 1 **Improper Management of Travel Authorization Forms**

- During a test of travel and cash advances, it was noted in 20 out of 141 transactions tested (14%), Travel Authorization Forms were not approved by the Chief Executive Officer or his/her designee prior to travel. In addition, two Travel Authorization Forms (1%) did not include either the purpose of travel or the dates of travel and were therefore incomplete. Additionally, we noted that the WVUIT Men’s Head Soccer/Tennis Coach did not submit two travel settlement forms in a reasonable amount of time.

Auditor’s Recommendation

We recommend WVUIT comply with and enforce its own internal policies for requiring Travel Authorizations to be completed prior to travel and with the WVU Board of Governors Travel Policy 4.1.1.

Spending Unit’s Response

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 1*.

See pages 19 – 21.

Finding 2 **Processing of Receiving Reports**

- Inadequate internal controls over the receiving function allowed staff members other than those designated as “Receivers” to receive goods. Additionally, according to agency personnel, receiving reports were not always prepared within 24 hours as required.

Auditor’s Recommendation

We recommend that WVUIT follow the provisions Chapter 12, Article 3, Section 10f of the WV Code, so that the person who physically receives the goods is also the person who completes the receiving report and that these reports be completed within 24 hours of receipt of goods.

Spending Unit’s Response

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 2*.

See pages 22 – 23.

Finding 3 Disposal of Abandoned Equipment

- The WVUIT cafeteria was located in the Hirise dormitory until January 2008, at which time the new Bear’s Den cafeteria opened in the Tech Center. Food products and kitchen equipment located in the Hirise cafeteria were abandoned. The abandoned equipment was not cataloged, secured, or disposed of, making it susceptible to damage and theft. Additionally, it was likely that some of the deserted food items could have been used in the new cafeteria. Management could not provide documentation that would allow us to determine the cost of the abandoned food products and kitchen equipment.

Auditor’s Recommendation

We recommend that the institution comply with Title 133, Series 30, Section 14 of the Higher Education Policy Commission (authority granted by Chapter 18B, Article 5, Section 7 of the West Virginia Code, as amended) and properly dispose of surplus or obsolete inventory.

Spending Unit’s Response

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 3*.

See pages 24 – 25.

Finding 4 Payroll Overpayments to Employees

- During procedural interviews, the Payroll Supervisor stated that there were several employees who received overpayment during the audit period. Supporting documentation was provided to us for 27 of these overpayments. During our test of controls for retirements and resignations, we noted one instance of an employee receiving an overpayment in the net amount of \$144.88 on her final paycheck. Also, there were no internal controls in place which required WVUIT personnel to collect the overpayments back from employees.

Auditor’s Recommendation

We recommend that WVUIT implement internal controls to prevent overpayments.

Spending Unit’s Response

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 4*.

See pages 26 – 28.

Finding 5 Purchasing Card Internal Control Procedures Not Documented

- While obtaining an understanding of WVUIT’s P-Card policies and procedures, it was determined that WVUIT did not document the internal control procedures relating to P-Card. The WV State

Auditor's Office requires that the agencies participating in the State Purchasing Card Program document these internal control procedures, distribute guidelines to all of the spending unit's cardholders, and submit the procedures in writing to the State Auditor's Office.

Auditor's Recommendation

We recommend that the institution comply with sections 1.3 and 2.4 of the WV State Auditor's Office Purchasing Card Policies and Procedures by developing written internal control policies and procedures for the State Purchasing Card Program to be distributed to all cardholders and submitted to the State Auditor's Office.

Spending Unit's Response

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 5*.

See pages 29 – 30.

Finding 6 Incorrect Object Codes

- While performing a test of 156 P-Card transactions, we identified eight transactions (5%) as having an incorrect object code.

Auditor's Recommendation

We recommend that the institution comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and the State Budget Office's State of West Virginia Expenditure Schedule Instructions by ensuring that transactions are classified with the appropriate object codes.

Spending Unit's Response

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 6*.

See pages 31 – 34.

Finding 7 Improper Sick Leave Accrual and Incorrect Leave Balances

- From a sample of ten WVUIT employees, we identified the following exceptions. (1) In evaluating the sample's sick leave balances, we noted that all ten employees had exactly 5.625 more hours (which was one pay period's accrual) than they should have according to our recalculations. (2) Of the 20 separate sick and annual leave balances for the ten employees in the sample, WVU Benefits Administration made manual adjustments to ten of these balances (50%). (3) WVUIT was not able to locate the supporting paper documentation file so that we could verify one employee's balance.

Auditor's Recommendation

We recommend that the institution comply with the West Virginia University Board of Governors Rule on Employee Leave and the Higher Education Policy Commission's Employee Leave Procedural Rule (Title 133, Series 38) by ensuring that all employee leave balances are correct. We also recommend the institution comply with West Virginia Code Chapter 5A, Article 8, Section 9(b) and maintain all records and files for employees.

Spending Unit's Response

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 7*.

See pages 35 – 38.

Finding 8 Incorrect Annual Increment Payments

- From a sample of 20 transactions, we identified three exceptions to annual increment procedures (15%). (1) One employee was underpaid by \$50.00. (2) One employee was overpaid by \$50.00. (3) One employee received her annual increment payment on March 31, 2008 instead of the standard payment date of July 30, 2007.

Auditor's Recommendation

We recommend that the institution comply with Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended, and the West Virginia University Board of Governors Rule on Annual Increment by ensuring that annual increment amounts correspond to employees' years of service and by ensuring that annual increment payments are paid timely.

Spending Unit's Response

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 8*.

See pages 39 – 41.

Finding 9 Improper Internal Controls for Facilities and Food Services

- During our procedural interviews, we observed that no fee schedules or uniform contracts for outside groups or individuals utilizing WVUIT facilities were available for our review. Because of the lack of documentation, we could not determine amounts that were charged nor could we determine amounts that should have been collected relating to such facility usage during the audit period.
- These issues were noted in the prior Post Audit Report of the West Virginia University Institute of Technology Housing and Dining Account for the period July 1, 2001 to June 30, 2003. The

agency's written response to the finding stated that procedures would be implemented to ensure that standard rental/lease agreements are completed for campus facility usage and that established rate schedules would be used in the future; however, these procedures were not implemented by WVUIT.

Auditor's Recommendation

We recommend that the institution comply with the University System of West Virginia Board of Trustees, Legislative Rule Title 128, Series 55 by obtaining a rental agreement with each organization/individual that utilizes campus facilities and by implementing a standard fee schedule to be used for all such organizations/individuals. We further recommend WVUIT comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, through strengthening internal controls over the use of institutional facilities by outside organizations/individuals.

Spending Unit's Response

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 9*.

See pages 42 – 43.

Finding 10 Improper Management of Time Sheets

- During our examination of payroll transactions, we noted that four out of 72 time sheets (6%) were calculated incorrectly. Additionally, we noted one instance in which an appropriate supervisory official did not approve an employee's time sheet and eight instances where an employee's time sheet was not signed by the employee.

Auditor Recommendation

We recommend WVUIT comply with Section 4 of the Higher Education Policy Commission Procedural Rule Title 133, Series 8, *Personnel Administration*. We also recommend WVUIT comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, by strengthening internal controls over the supervisory review of employee time sheets.

Spending Unit's Response

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 10*.

See pages 44 – 45.

Finding 11 Segregation of Duties in the Business Office

- During our audit period, an accounting assistant in the Business Office received cash for parking tickets, entered the receipts into the Banner accounting module, and took the deposits to the

bank. These job duties are conflicting and could lead to a heightened possibility that fraud could occur. Also, there is no management oversight procedure in place that would offset the lack of segregation of duties.

Auditor's Recommendation

We recommend that the institution comply with Chapter 18B, Article 5, Section 9B of the WV Code, as well as WVU's University-Wide Cash Handling Policy (WVU-CO-30), by segregating the duties of recording and custody of all cash receipts in the Business Office.

Spending Unit's Response

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 11*.

See pages 46 – 47.

Finding 12 Noncompliance with the Prompt Pay Act of 1990

- Based on a test of controls performed on 156 P-card transactions, 19 invoices (12%) totaling \$171,286.70, were not processed within the requisite ten days. Also, 26 invoices (17%) totaling \$70,331.56, were not date stamped when received; therefore we could not determine whether these invoices were processed in accordance with the Prompt Pay Act of 1990.
- In performing a test of controls on a sample of 77 cash disbursements and six lease payments, the invoices for 20 purchases (24%) totaling \$572,935.35, were not processed within the requisite ten days. Additionally, we noted one disbursement (0.01%) totaling \$5,200.00, was not paid within sixty days of receipt of the invoice.

Auditor's Recommendation

House Bill 4582 which was passed on March 13, 2010 repealed WV Code 5A-3-54, also known as the "Prompt Pay Act of 1990." The Prompt Payment Act of 1990, before being repealed, required State agencies to process a vendor's legitimate uncontested invoice within ten (10) days of receipt by the agency. Additionally, State agencies were required to pay a vendor's legitimate uncontested invoice within sixty (60) days of receipt to avoid liability of interest payments to the vendor. Although this act was repealed, we believe that for internal controls to be effective, invoices should be processed timely, therefore, we recommend that WVUIT promptly process invoices upon receipt.

Spending Unit's Response

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 12*.

See pages 48 – 52.

WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY
JULY 1, 2007 – JUNE 30, 2008

INTRODUCTION

POST AUDIT AUTHORITY

This is the report on the post audit of West Virginia University Institute of Technology. This audit was conducted pursuant to Chapter 4, Article 2 of the West Virginia Code, which requires the Legislative Auditor to “make post audits of the revenues and funds of the spending units of the state government, at least once every two years, if practicable, to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit, to ascertain facts and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the State and of the organization and functions of the State and its spending units.”

BACKGROUND

The State Legislature established West Virginia University Institute of Technology in 1895 as Montgomery Preparatory School, a branch of West Virginia University (WVU). With the development of local district high schools, it was assigned a vocational education role beginning in 1917 and its name was changed to West Virginia Trade School. In 1921, in reaction to changing community needs, it became a junior college named New River State School, with the primary function of training teachers for regional elementary schools. Because of its growth to a baccalaureate degree granting institution, it became New River State College in 1931. By 1941, in response to the demands for personnel from the industries and businesses, the institution added technical and business programs. Recognizing this new role, the State Legislature renamed the college West Virginia Institute of Technology (Tech). In 1952, the college began offering bachelor degrees in engineering. This marked the first instance in which a West Virginia four-year college had developed a specialized role in providing educational services to its constituencies. In response to regional needs, Tech established the community college program in 1966. The Master of Science in Control Systems Engineering was added to the roster of Tech degree programs in 1978.

Through three Legislative mandates of the past two decades, significant organizational changes were compelled upon Tech. On July 1, 1996 the college was made a regional campus of West Virginia University and renamed West Virginia University Institute of Technology (WVU Tech). Ten years later, on July 1, 2006, WVU Tech became a full division of West Virginia University. Subsequently, three years after this, on July 1, 2009, the Community and Technical College at WVU Tech (CTC at WVU Tech) was totally separated from WVU Tech to become the now freestanding Bridgemont Community and Technical College. WVU Tech offers the following baccalaureate programs - engineering, sciences, computer science, accounting and business areas, social services, nursing, humanities, and engineering technologies. The institution also offers a Regents’ Bachelor of Arts degree program for non-traditional students, courses for extension and continuing education, and a cooperative education program for students majoring in degree programs. The sole graduate degree in control systems engineering, was discontinued. Several degree programs and student services once offered by WVU Tech are now the full province of Bridgemont Community and Technical College, including associate degrees, remedial education, and certificate programs in business and technology.

During the audit period, WVU Tech had 1,450 students enrolled during the fall 2007 semester and 1,006 students enrolled during the spring 2008 semester. The college is located in Montgomery, West Virginia, 28 miles southeast of Charleston, the state capital. Situated on the Kanawha River in the rugged Allegheny Mountains, Montgomery has about 2,000 residents.

**WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY
JULY 1, 2007 – JUNE 30, 2008**

**SPENDING UNIT CONTACTS
FOR EXAMINATION COVERING PERIOD OF JULY 1, 2007 THROUGH JUNE 30, 2008**

Charles BaylessCampus Provost (July 2007 – June 2008)

Scott Hurst, Ph.D. Interim Campus Provost (July 2008 – October 2008)/
Campus Provost (November 2008 – Present)

William Quigley WVU Internal Audit Director (July 2007 – Present)

Lisa LivelyWVU Director of Financial Services and WVU Tech Interim CFO (Sept 2007 – May 2009)

Solomon Addico Chief Business Officer (May 2009 – Present)

Catherine Aquino Controller (July 2007 – June 2009)

Michael KnightDirector of Purchasing (July 2007 – Present)

Donna JonesSupervisor of Student Loans (July 2007 – July 2009)

Denise KerbyChief Financial Officer (July 2007 – September 2007)

WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY
JULY 1, 2007 – JUNE 30, 2008

AUDIT SCOPE

We have audited West Virginia University Institute of Technology funds for the period of July 1, 2007 through June 30, 2008. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements. The audit was conducted in accordance with auditing standards generally accepted in the United States.

OBJECTIVES AND METHODOLOGIES

The objectives of our post audit were to audit the revenues and expenditures of the spending unit, to report any misapplication of state funds or erroneous, extravagant, or unlawful expenditures by any spending unit that we find, to ascertain facts, and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the state and of the organization, and functions of the state and its spending units. We were to determine whether expenditure and revenue transactions were related to the spending unit's programs, were reasonable, and were recorded properly in the accounting systems. Additionally, we were to examine the spending unit's records and internal control over transactions and to evaluate its compliance with applicable State laws, rules, and regulations.

In preparation for our testing, we studied legislation, applicable WV Code sections, applicable rules and regulations, and policies of the spending unit. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observations of the spending unit's operations, and through inspections of documents and records. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Additionally, we reviewed the budget, studied financial trends, and interviewed spending unit personnel to obtain an understanding of the programs and the internal controls. In planning and conducting our post audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk.

We did not audit the spending unit's federal financial assistance programs for compliance with federal laws and regulations because the State of West Virginia engages an independent accounting firm to annually audit such programs administered by State agencies.

A nonstatistical sampling approach was used. Our samples of transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. Transactions were selected for testing randomly and using professional judgment.

West Virginia University Institute of Technology's written response to the significant deficiencies and material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the University and, accordingly, we express no opinion.

West Virginia University Institute of Technology's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This communication is intended solely for the information and use of the Post Audit Subcommittee, the members of the WV Legislature, management of the spending unit, and others within the spending unit. However, once released by the Post Audit Subcommittee, this report is a matter of public record and its distribution is not limited.

Our reports are designed to assist the Post Audit Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

CONCLUSIONS

This report includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings that did not warrant inclusion in this report were communicated to the University.

EXIT CONFERENCE

We discussed this report with management of West Virginia University Institute of Technology on April 29, 2010. All findings and recommendations were reviewed and discussed. Management's response has been included at the end of each finding.

WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY
JULY 1, 2007 – JUNE 30, 2008

FUND LISTING

We have completed a post audit of West Virginia University Institute of Technology. The examination covers the period of July 1, 2007 through June 30, 2008.

GENERAL REVENUE ACCOUNT

The following account was maintained by West Virginia University:

Fund Number	Fund Name
0344	General Administration

SPECIAL REVENUE ACCOUNTS

West Virginia University maintained the following special revenue accounts for West Virginia University Institute of Technology. These accounts represent funds from specific activities as required by law or administrative regulations. These funds were deposited with the State Treasurer in the following special revenue accounts:

Fund Number	Fund Name
4170-999	Payroll Clearing
4187-999	Tuition & Required E&G Fees
4188-999	Auxiliary & Auxiliary Capital Fees
4189-999	Education & General Capital Fees
4195-999	Gifts, Grants & Donations (Non-Federal)

Payroll Clearing Fund

This fund is a special revenue fund used for the clearing of payroll (governed by WV Code Chapter 12, Article 3, Section 12a).

Tuition & Required E & G Fees Fund

This fund comprises other collections, fees, licenses, and investment earnings used to support all tuition and required educational and general fees (governed by WV Code Chapter 18B, Article 10, Section 1).

Auxiliary & Auxiliary Capital Fees Fund

This fund comprises other collections, fees, licenses, and investment earnings to fund all auxiliary and auxiliary capital fees (governed by WV Code Chapter 18B, Article 10, Section 1).

Education & General Capital Fees Fund

This fund comprises other collections, fees, licenses, and investment earnings to fund all required and general capital fees (governed by WV Code Chapter 18B, Article 10, Section 1).

Gifts, Grants & Donations (Non-Federal) Fund

This fund comprises other collections, fees, licenses, and investment earnings to fund state, local and private grants, gifts, and contracts (governed by WV Code Chapter 18B, Article 10, Section 1).

FEDERAL ACCOUNT

West Virginia University maintained the following account that was funded with Federal sources:

<u>Fund Number</u>	<u>Fund Name</u>
8761-999	Federal Grants/Contracts

Federal Grants/Contracts Fund (8761)

This fund is a Federal fund to account for all federal grants and contracts activity (governed by WV Code Chapter 18B, Article 4, Section 4).

WEST VIRGINIA UNIVERSITY INSTITUTE OF TECHNOLOGY
JULY 1, 2007 – JUNE 30, 2008

REPORTABLE COMPLIANCE AND OTHER MATTERS

Finding 1 Improper Management of Travel Authorization Forms

Condition: During a test of travel and cash advances, it was noted in 20 out of 141 transactions tested (14%) that Travel Authorization Forms were not approved by the Chief Executive Officer or his/her designee prior to travel. In addition, two Travel Authorization Forms (1%) did not include either the purpose of travel or the dates of travel and were therefore incomplete. The following table summarizes the exceptions:

	Purpose of Travel	Beginning Travel Date	Approval of Travel Authorization	Amount
1	Athletic Recruiting	3/23/07	5/8/07	\$ 253.17
2	Workshop	11/12/07	1/8/08	\$ 210.81
3	Conference	3/14/08	3/25/08	\$ 183.80
4	Athletic Recruiting	3/20/08	4/22/08	\$ 60.31
5	Conference	8/8/07	9/11/07	\$ 1,537.22
6	No purpose listed	No date listed	7/31/07	\$ 740.42
7	Academic Symposium	7/4/07	12/20/07	\$ 737.19
8	Class	5/15/07	8/14/07	\$ 415.00
9	College Fair	9/17/07	10/18/07	\$ 374.45
10	Organizational Meetings	7/9/07	10/11/07	\$ 340.88
11	Professional Meeting	10/26/07	12/5/07	\$ 281.18
12	Student Government	9/5/07	5/30/08	\$ 235.88
13	Advisory Board Meeting	No dates listed	5/21/08	\$ 227.01
14	Workshop	12/3/07	12/17/07	\$ 187.74
15	Professional Meeting	12/7/07	12/11/07	\$ 178.00
16	Human Resources Training	10/24/07	10/26/07	\$ 167.98
17	Biology Club Trip	4/25/08	5/12/08	\$ 150.00
18	Workshop	11/2/07	11/12/07	\$ 114.82
19	Engineering Consortium	11/8/07	11/13/07	\$ 89.00
20	Programming Competition	10/26/07	12/17/07	\$ 29.25

Form #1 (Travel Number: T7689), in the amount of \$1,775.47 and with a last travel date of March 31, 2007, was submitted for payment on June 12, 2008 (one year, two months, and 12 days later). Form #2 (Travel Number: T8338), in the amount of \$1,346.65 and with a last travel date of February 2, 2008, was submitted for payment on June 11, 2008 (four months and two days later).

Criteria:

We believe this is in noncompliance with WVU Board of Governors Travel Policy 4.1.1, which states:

“Approval to travel shall be secured in advance by the employee in accordance with this rule and, if applicable, the administrative policies and procedures of the institution. Under no circumstances should an employee travel without proper approval of the Chief Executive Officer or designee(s).”

Additionally, we believe this is in noncompliance with WVU Board of Governors Policy #4 Travel Section 4 (4.1.2), which states:

“Employees are responsible for submitting for reimbursement a travel expense account settlement form, with all required attachments, to her or his institution within a reasonable amount of time after the last day of the approved travel, as defined by the institution, in order to qualify for reimbursement of expenses or for payment.”

Cause:

According to the Director of Purchasing, these exceptions were due to a lack of controls/disregard for WVUIT travel policy. Also, according to the Director of Purchasing, the Men’s Head Soccer/Tennis Coach had a habit of submitting travel authorizations late. We believe this indicates a lack of controls present within the WVUIT Athletic Department to enforce the reasonable amount of time after the last day of the approved travel policy set forth by WVU Board of Governors.

Effect:

As a result of the travel authorizations not being approved until after travel expenses were incurred, management was denied the opportunity to review information that could have been useful for budgeting and controlling travel costs. Also, as a result of the late travel settlement forms, the corresponding expenses in the amount of \$1,775.47 for Form #1 were charged to Fiscal Year 2008 for travel conducted in Fiscal Year 2007. This may have affected financial reporting for both fiscal years.

Recommendation:

We recommend WVUIT comply with and enforce its own internal policies for requiring Travel Authorizations to be completed prior to travel and with the WVU Board of Governors Travel Policy 4.1.1. We also recommend that the institution comply with WVU Board of Governors Policy #4 Travel Section 4 (4.1.2). In addition, we recommend that WVUIT establish a clear definition of the term “within a reasonable amount of time after the last day of the approved travel” to eliminate confusion.

SpendingUnit's
Response:

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 1*.

Tech is implementing electronic means to submit travel authorization forms and travel settlement forms. The electronic means of submitting these documents reduces the time for approval of the documents for the traveler by appropriate authorities. Electronic means eliminates the potential for loss of documents in the process of transmitting them between offices. Electronic means of transmittal concurrently provides the traveler with evidence that the document has been transmitted to the recipient for approval and the recipient has concurrent documentation of when the document was received.

The ability to confirm or deny the transmittal of travel authorization and travel settlement forms facilitates management's ability to appropriately take counseling or disciplinary actions for incompliance with existing policies referenced in *Finding 1*.

Tech defined "within a reasonable amount of time after the last day of the approved travel" to mean "within thirty working days after a traveler returns to work" for use in the context of WVU Board of Governors Policy #4 Travel Section 4 (4.1.2).

Please note the condition cited in *Finding 1* stemmed from an inability to confirm or deny the transmittal of travel authorization and travel settlement forms and thus take appropriate counseling or disciplinary action for incompliance with existing policies referenced in *Finding 1*. The operational changes currently used by Tech prevent the recurrence of this scenario.

Finding 2 Processing of Receiving Reports

Condition: Inadequate internal controls over the receiving function allowed staff members other than those designated as “Receivers” to receive goods. Additionally, according to agency personnel, receiving reports were not always prepared within 24 hours as required. WVUIT used an electronic form in the Mountaineer Administrative Processes (MAP) system to document the receipt of goods. Certain WVUIT staff members were designated as “Receivers” in MAP and were able to electronically note the receipt of shipments. Whenever goods were received, a person designated as a receiver logged into the receiver module in MAP and entered the purchase order number related to the goods. The receiver then reviewed the details of the purchase order line items and checked a box next to items that had been received. MAP then generated a receiving report for transmission to the State Auditor’s Office for payment.

According to the Director of Purchasing, the person who received the goods physically was not always the person who entered the receipt into MAP. In this case, the person who received the goods notified a receiver of the receipt of goods and then the information was logged into MAP.

Criteria: We believe this condition is in noncompliance with Chapter 12, Article 3, Section 10f of the WV Code, which states, in part:

“The state officer or employee acting as head of each spending unit is responsible for the completion and timely submission of the receiving reports, which shall be prepared at the original point of receipt of the commodities at the spending unit by employees designated by the head of the spending unit to receive the commodities and prepare the receiving reports. The receiving reports shall include, but not be limited to, the following information: Vendor name, description, and quantity of commodities received, date commodities are received, whether commodities are acceptable for payment, and a signed acknowledgment of receipt by the employees receiving the commodities. The receiving reports required by this section shall be prepared within twenty-four hours of the receipt of the commodities.” (Emphasis added)

Cause: According to the Director of Purchasing, receiving reports were not always prepared immediately upon the receipt of goods because only certain employees were designated as “Receivers” in the MAP system and they were not always necessarily the employees to whom goods are delivered.

Effect: The inadequacy of controls over the receiving function increased the risk that misappropriation of assets could have occurred. Because the same employee who ordered the goods might also have received them, there was a possibility

that he or she could have stolen the goods without the knowledge of management.

Recommendation: We recommend that WVUIT follow the provisions Chapter 12, Article 3, Section 10f of WV Code so that the person who physically receives the goods is also the person who completes the receiving report and that these reports be completed within 24 hours of receipt of goods.

Spending Unit's

Response: West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 2*. Tech is implementing central receiving processes and procedures. Suppliers deliver all goods to a single location on the campus. Campus service workers responsible for accepting the deliveries record all pertinent data regarding the delivery that includes but is not limited to the date, time, and condition of the delivered goods. Campus service workers distribute the goods to the campus units that purchased the items within approximately 18 hours of receipt; that is, goods received before noon on a given work day are distributed in the afternoon of the same day and goods received after noon on a work day are distributed in the morning of the following work day. The campus service workers will only release goods to the designated receiver for the unit or one of two alternate receivers for the unit. The same receiver must both physically receive the goods and document the receipt in the Mountaineer Administrative Processes (MAP) system on the same day the goods are received; that is, the receiver directly records purchase order numbers, information to identify specific items and other pertinent information onto the electronic system that generates a receiving report for transmission to the State Auditor's Office for payment. Internal controls do not allow purchasers to act as receivers for the same set of goods. The Tech CBO periodically runs a test of controls to ensure the cited policies and procedures are upheld and prevent violation of State rules and statutes described in *Finding 2*.

Finding 3

Disposal of Abandoned Equipment

Condition:

The WVUIT cafeteria was located in the Hirise dormitory until January 2008, at which time the new Bear's Den cafeteria opened in the Tech Center. Some kitchen equipment located in the Hirise cafeteria was abandoned. The equipment had been left in the unsecured Hirise cafeteria facility for nearly a year without being utilized in the new cafeteria facility or without proper disposal. Additionally, much of the food was left without preparation for storage and not disposed of for approximately five months. Management could not provide documentation which would allow us to determine the cost of the abandoned food products and kitchen equipment. We toured the Hirise cafeteria on December 8, 2008 and took photographs of the area. We noticed an unlocked door that led to the dining room and another door was propped open. We were told these doors could have been left open by the wrestling team. The following is a list of items found and their location:

- Outside porch: A double stacked oven, two steamers, and a milk machine that did not belong to WVUIT according to the current Director of Dining Services.
- Inside the door: Two new air doors and their hardware in original packaging, two plate racks, and various pieces of computer hardware.
- Back room: Portable salad bar, portable food burners—inside the salad bar stands—that were moved up to the Tech Center after our tour to be used in dining services, boxes of old dishes, and paper goods.
- Main kitchen: Dough Pro pizza dough press, pizza oven that they planned on moving to the Tech Center, ice machine, milk machine, coffee makers, an old grill, mixers, potato peeler, 4-door cooler, storage bins, ice cream machine, stainless steel industrial sink, cleaning supplies, dishes, microwave, cooking utensils, electronic steam kettle, various buckets, stainless steel dishwasher, proofer, stainless steel small wares, stainless steel dish line with a garbage disposal worth approximately \$3,000.00, bun holder, the bottom of a tea machine, built-in oven, miscellaneous small wares, and two warming units.
- Dish room: Dishwasher, stainless steel table, and dishes.
- Dining room: Stainless steel serving line with griddle, cold/hot wells, soup well, wood serving line, pizza warmer, miscellaneous carts, ice cream freezer, iced tea machine, cooler, 4-door cooler, new non-industrial commercial freezer, ice machine that was turned on and in operation, tables, chairs, televisions that did not belong to WVUIT, copper light fixtures, wrestling mats that belong to the wrestling team, and a dish conveyor line.

Criteria:

We believe the abandonment of equipment is in noncompliance with Title 133, Series 30, Section 14 of the Higher Education Policy Commission (authority granted by Chapter 18B, Article 5, Section 7 of the West Virginia Code, as amended), which states in part:

“The chief procurement officer shall identify and inventory the institution's surplus or obsolete materials, supplies and equipment and shall store such materials, supplies and equipment until such time as they may be disposed of in a manner consistent with this rule and state law.”

Cause: According to the information provided by the current Assistant Director of Dining Services, the prior Assistant Director exhibited neglect in performing his job duties.

Effect: The abandonment of the Hirise equipment and purchase of new equipment may have resulted in unnecessary expenditures. After the Bear's Den opened, the failure to secure the Hirise cafeteria—which contained the abandoned equipment—created an opportunity for damage and theft. Because prepared food was left in serving areas and in storage, there were unnecessary expenditures to replace them, in addition to the resulting spoilage. The unsanitary conditions could have also caused infestation of rodents and insects, as well as the growth of mildew and mold, which could have added extermination and removal expenditures.

Recommendation: We recommend that the institution comply with Title 133, Series 30, Section 14 of the Higher Education Policy Commission (authority granted by Chapter 18B, Article 5, Section 7 of the West Virginia Code, as amended) and properly dispose of surplus or obsolete inventory.

Spending Unit's
Response:

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 3*.

Equipment is properly maintained on the institution's inventory. This inventory includes appropriately documenting the transfer of equipment to State surplus, the sell of the equipment through auction or bidding processes, or the disposal of the equipment.

All equipment explicitly referenced in Finding 3 was moved to and used in other facilities on the Tech campus, sold at auction or through a bidding process, transferred to State surplus, or properly sent for disposal. All issues regarding the security of equipment have been addressed.

Finding 4

Payroll Overpayments to Employees

Condition:

During the audit we noted in instances where employees have been overpaid, WVUIT invoices the employees for the overpayments. However, WVUIT does not have an internal control in place which requires their personnel to continue their collection efforts of the overpayments. WVUIT does not take any action to follow-up with employees who do not return the money after receiving an invoice. Additionally, we noted one employee was overpaid \$144.88 upon separation of employment.

During procedural interviews, the Payroll Supervisor stated that there were several employees who received overpayments during the audit period. Supporting documentation was provided to us for 27 of these overpayments. When overpayments were noted, the Payroll Supervisor contacted the WVU Human Resources Department to determine the reason for the difference. When the reason for the overpayment was ascertained, an invoice was sent to the employee for the amount of the overpayment with an explanation of the situation. If repayment was received from the employee, the Payroll Supervisor completed a Paycheck Return Form and returned the funds to WVU. WVUIT did not take any action to follow-up with employees who did not return the money after receiving an invoice.

One common situation that resulted in overpayments was when an employee's assignment was short-term and the dates of employment were not removed from the system after completion of the assignment. In this case, the employee might have received payment when the same dates recurred during the next year. The Payroll Supervisor kept a written list of temporary employees and their employment periods at her desk that she used to help her remember to change them to "Non-contract assignment" in MAP (which meant they would not get paid again). This list is neither official nor comprehensive. Either the Payroll Supervisor or an Administrative Secretary performed this duty by contacting the WVU HR department via e-mail with those employees that needed a change in assignment status. These changes were then made by WVU.

During our test of controls for retirements and resignations, we noted one instance of an employee receiving an overpayment in the gross amount of \$272.23 on her final paycheck. The employee was paid her **full** semi-monthly salary amount for the pay period ending on July 31, 2007 even though she only worked until July 27, 2007. A portion of this overpayment (\$127.35) was detected by the Payroll Department and WVUIT sent an invoice for the net amount (\$92.62) to the employee. The employee issued a personal check to WVUIT for \$92.62 amount on October 10, 2007. The remaining \$144.88 has not been collected.

Criteria:

We believe that these overpayments were in noncompliance with West Virginia Code Chapter 18B, Article 5, Section 9B, which states in part:

“(a) The governing boards of Marshall University and West Virginia University each shall ensure the fiscal integrity of its operations using best business and management practices.

(1) The practices include at least the following:

(A) Complying with Generally Accepted Accounting Principles of the Governmental Accounting Standards Board (GAAP); and the Generally Accepted Government Auditing Standards of the Government Accountability Office (GAGAS);

(B) Operating without material weakness in internal controls as defined by GAAP, GAGAS and, where applicable, the Office of Management and Budget (OMB) Circular A-133;....”

Additionally, these overpayments were in noncompliance with West Virginia Code Chapter 12, Article 3, Section 13, which states in part:

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

Cause: According to the Payroll Supervisor, overpayments were caused when the status of an employee was not changed in MAP to reflect a change in employment status (termination, unpaid leave, change from a nine month to 12 month employment contract, etc.).

Effect: Inadequate internal controls increased the risk that employees would be paid for services not rendered to the institution and that these monies would not be recovered.

Recommendation: We recommend that WVUIT implement internal controls to prevent overpayments.

Spending Unit's
Response:

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 4*.

The violations cited in *Finding 4* were related, in part, to the lack of a full-time Human Resources Director at Tech for more than a year before the examination period in consideration. The full-time Human Resources Office vacancy period coincided with the beginning of the 2006-legislatively-mandated integration of Tech with WVU.

All instances of the overpayments referenced in *Finding 4* except those duly noted as associated with retirements and resignations were associated with short-term employment of adjuncts or overload full-time faculty. The process of having the Payroll Supervisor keep a written list of temporary employees and their employment periods at her desk that she used to help her remember to change them to "Non-contract assignment" in MAP (which meant they would not get paid again) was a carryover process before use of the improved integrated activities of the Tech Human Resources Offices. The time to complete the old process which included involvement of the temporary employee's supervisor, the Payroll Supervisor, and the Tech Human Resources Director was the cause of the delay in all cases.

The current process that only makes use of official records and correspondence between the Tech Human Resources Office and the temporary employee's supervisor can be immediately completed when decisions occur. The Tech Human Resources Office can directly implement "Non-contract assignments" and "Contract assignments." Thus, both overpayments and underpayments can be prevented through the current process.

The identification of an instance of overpayment that resulted for a test of controls for retirements and resignations has been assessed. The employee had originally indicated a resignation date of July 31, 2007. The employee failed to attend work after July 27, 2007. The nature of the position did not require the employee to report to the supervisor on a daily basis. The supervisor was not aware of the absences until the following week which was after the payroll process had been completed for employees paid current.

All new Tech employees are paid in arrears. This allows time to make adjustments to payroll to prevent overpayments as described in *Finding 4*. All supervisors are required to make contact at the work-place during each day of the last two weeks of an employee's appointment even if the daily contact is not typically required relative to the employee's job duties and responsibilities.

Tech will take all allowable actions to obtain payment for all debts to Tech including those resulting from overpayments as described in *Finding 4*.

Finding 5 Purchasing Card Internal Control Procedures Not Documented

Condition: While obtaining an understanding of WVUIT’s P-Card policies and procedures, it was determined that WVUIT did not document the internal control procedures relating to P-Card usage. The WV State Auditor’s Office required that the agencies participating in the State Purchasing Card Program must document these internal control procedures, distribute guidelines to all of the spending unit’s cardholders, and submit the procedures in writing to the State Auditor’s Office. WVUIT did not comply with these requirements.

Criteria: We believe this is in noncompliance with the West Virginia State Auditor’s Office Purchasing Card Policies and Procedures, which states in part:

“Section 1.3: Policy

Each Spending Unit **is required to develop and document appropriate internal control procedures** to ensure that P-Card usage is consistent with this manual, and to develop guidelines for distribution to cardholders. Sufficient internal controls must be in place to ensure compliance with P-Card Policies and Procedures and documentation of these controls must be submitted in writing to the State Auditor’s Office P-Card Division.”

“Section 2.4: Internal Controls

Sufficient internal controls must be in place at each Spending Unit to ensure compliance with applicable laws, rules and regulations, P-Card Policies and Procedures, and other governing instruments. Each Spending Unit **is required to develop and document internal control procedures** that ensure P-Card usage is consistent with this manual and to develop guidelines for distribution to cardholders. These procedures must be submitted in writing to the State Auditor’s Office P-Card Division.”
(Emphasis added)

Cause: According to the Director of Purchasing, WVUIT did not document its own P-Card internal control procedures because it operated under those established by West Virginia University. Also, several inquiries were made regarding whether WVU’s internal control procedures were submitted to the State Auditor’s Office. However, agency personnel could not provide an answer. Subsequent to our inquiries, WVU updated its policies and procedures in August 2009 and indicated that they would be submitted to the State Auditor’s Office.

Effect: Without documenting and appropriately distributing internal controls regarding the Purchasing Card Program, WVUIT could not ensure that P-Card usage was consistent with the policies and procedures established by the WV State Auditor's Office. Additionally, without documented and properly distributed internal procedures, WVUIT might not have been able to enforce internal policies and procedures regarding the use of the State Purchasing Card by WVUIT cardholders.

Recommendation: We recommend that the institution comply with sections 1.3 and 2.4 of the West Virginia State Auditor's Office Purchasing Card Policies and Procedures by developing written internal control policies and procedures for the State Purchasing Card Program to be distributed to all cardholders and submitted to the State Auditor's Office.

Spending Unit's
Response:

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 5*.
Written internal control policies and procedures for the State Purchasing Card Program have been developed, distributed to all cardholders and submitted to the State Auditor's Office.

Finding 6**Incorrect Object Codes**

Condition: While performing a test of 156 P-Card transactions, the following eight transactions (5%), totaling \$7,213.56, were identified as having an incorrect object code.

Transaction Date	Transaction Amount	Object Code per Agency	Object Code Description per Agency	Audited Object Code	Audited Object Code Description	Explanation
07/31/07	(1,760.00)	026	Travel	035	Advertising and Promotional	(1)
07/31/07	(27.00)	020	Office Expenses	026	Travel	(2)
09/07/07	(2,925.00)	026	Travel	029	Vehicle Rental	(3)
11/29/07	(532.20)	027	Computer Services	054	Computer Supplies and Equipment	(4)
12/27/07	(20.09)	026	Travel	053	Postal and Freight	(5)
01/17/08	(75.27)	030	Machine and Misc. Rental	020	Office Expenses	(6)
02/05/08	(1,570.00)	020	Office Expenses	035	Advertising and Promotional	(7)
05/15/08	(304.00)	054	Computer Supplies and Equipment	058	Misc. Equipment	(8)

Explanations:

- (1) This transaction involved the payment of registration fees for four national college fairs in fall 2007. The cardholder classified the payment as travel. However, we believe that it is more appropriately categorized as advertising and promotional since the purpose of the transaction was to promote WVUIT for potential students.
- (2) This disbursement was for a travel agent's fee for booking a flight. P-Card users completed an Accounting Information Form for each transaction, which included the assigned object code. According to the Director of Purchasing, each cardholder was assigned a default object code on the Accounting Information Form based on his or her job duties.
- (3) This transaction involved payment for the rental of a bus on two occasions to travel. However, we believe that it is more appropriately categorized as vehicle rental.

- (4) The disbursement was for the purchase of two laser printers. The cardholder classified the payment as computer services, which is the object code for contractual and professional support services. However, we believe that it is more appropriately categorized as computer equipment, since the purchased items were tangible property.
- (5) This transaction involved the purchase of postage, though the cardholder used the travel object code.
- (6) The disbursement was for the purchase of office supplies. The cardholder classified the payment as machine and miscellaneous rental. However, we believe that it is more appropriately categorized as office expenses.
- (7) This transaction involved the purchase of advertising in a publication, though the cardholder used the office expenses object code.
- (8) This transaction involved the purchase of various light bulbs. The cardholder classified the payment as computer supplies and equipment. However, we believe that it is more appropriately categorized as miscellaneous equipment.

Criteria:

We believe the failure to use correct object codes is in noncompliance with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, which states in part:

“The head of each agency shall:

(a) Establish and maintain an active, continuing program for the economical and efficient management of the records of the agency.

(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....”

According to the State Budget Office’s State of West Virginia Expenditure Schedule Instructions for Fiscal Year 2008, an object code is:

“An expenditure classification; referring to the lowest and most detailed state level of classification....”

According to the State Budget Office’s State of West Virginia Expenditure Schedule Instructions for Fiscal Year 2008, definitions for the pertinent object codes are as follows:

Office Expenses (020): "Those supplies normally used in the operation of an office and are primarily considered expendable in nature...."

Travel (026): "Payments for authorized in-state and out-of-state travel expenses in accordance with the State Travel Regulations as issued by the Travel Management Office, Division of Purchasing, Department of Administration and other approved travel plans. ... Includes athletic travel, team and associated individual travel."

Computer Services (027): "Charges for computer services...for contractual or professional support services for computers and software, programming, machine time, transaction fees, and/or other related computer services."

Vehicle Rental (029): "Auto, aircraft (i.e., fixed wing and helicopter), farm equipment (off road) rental, earth moving, hauling, and DOH emergencies for snow/flood."

Rentals (Machine and Miscellaneous) (030): "Rental of data processing equipment, computers, printers, copying machines, word processors, telephones, safe deposit boxes or any other equipment not owned by the spending agency."

Advertising and Promotional (035): "Newspaper ads for legal public notice requirements, procurement bids, radio and television spots, special sponsorships, publicity advertising to include pamphlets, road maps, and bill boards."

Postal (053): "Those charges for postage, box rent, postage meter or any charges connected with the United States Postal System or charges by Central Mail."

Computer Supplies and Equipment (054): "Lines, cable, connector, packaged computer software and licenses, computer hardware, modem, CD ROM, printers, scanners, computers (includes laptops), monitors, and other computer supplies or equipment (does not include computer publications) for use in the office and classroom. (Less than \$5,000 each.)"

Miscellaneous Equipment Purchases (058): "All purchases of equipment (including firearms, and medical equipment) with a dollar value less than \$5,000. Does not include computer-related equipment (see Object Code 054)."

Cause: According to the Director of Purchasing, the object codes were incorrect for two primary reasons. The first cause of misclassification was that each cardholder was assigned a default object code based on his or her job duties; the cardholder, when completing the Accounting Information Form and reviewing the details of the transaction, neglected to adjust the object code from the default. The other basis for misclassification was that a cardholder entered an incorrect object code, which was not discovered in the review process.

Effect: Because these transactions were classified with incorrect object codes, the corresponding expenses were not properly categorized. This may have resulted in incorrect financial reporting.

Recommendation: We recommend that the institution comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and the State Budget Office's State of West Virginia Expenditure Schedule Instructions by ensuring that transactions are classified with the appropriate object codes.

Spending Unit's
Response:

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 6*.

P-Card holders currently receive training on the use of P-Cards and documentation on their use including the use of object codes at least once each fiscal year. Office administrators with the responsibility of developing the P-Card reconciliation forms in support of P-Card holders receive additional training and are required to review the object codes included on all P-Card reconciliation forms before the forms are submitted to the business office.

The Tech CBO periodically runs a test of controls to ensure the cited policies and procedures are upheld and prevent violation of State rules and statutes described in *Finding 6*.

Finding 7

Improper Sick Leave Accrual and Incorrect Leave Balances

Condition:

We randomly selected ten WVUIT employees from a population of 194 that accrued leave during the audit period. The sick and annual leave balances were tested for all ten employees in the sample. We noted that the sick leave balances for all ten employees were overstated by a total of 64.25 hours. Additionally, another employee's annual leave balance was overstated by 15.5 hours; WVUIT was not able to provide this employee's leave file to verify his balance. All leave balances were provided by the WVU Benefits Administration. WVUIT employees use an electronic leave system that is run through the WVU Mountaineer Administrative Processes (MAP) system. When a leave request was approved in the system, the employee's balance was automatically updated. Additionally, earned sick and annual leave was accrued on a bimonthly basis, at the end of each pay period.

From this sample of ten employees, we identified the following exceptions.

- (1) WVU's Benefits Administration was responsible for executing—in MAP—a process that updated all employees' leave balances: approved leave was deducted and the accrual amount was added. This process was performed at the end of each pay period (twice monthly). In evaluating the sample's sick leave balances, we noted that all ten employees had exactly 5.625 more hours (which was one pay period's accrual) than they should have had according to our recalculations.

A Senior Benefits Specialist with Benefits Administration indicated that a mistake was made when accruing leave on February 28, 2009. Instead of "2009," "2008" was entered as the year, which retroactively added an additional accrual to all employees' balances. She stated that Benefits Administration was aware of the mistake, but that it was not possible to make a correction via reversal in MAP. Therefore, sick leave balances were being manually corrected as discovered.

- (2) Each of the ten employees in the sample had individual sick and annual leave balances, for a total of twenty separate balances. WVU Benefits Administration made manual adjustments to ten of these balances (50%). The Senior Benefits Specialist explained that leave was incorrectly deducted from employees' balances. When these inconsistencies were discovered, additional leave hours were granted to make the balance correct.

To verify that these employees did not actually use the leave that was deducted in the system, we obtained supporting paper documentation; on-campus leavekeepers kept leave folders for employees, which contained a manually updated leave card, copies of timesheets, and copies of e-mails generated by the leave system in MAP.

- (3) There was one employee who had corrections to both sick and annual leave balances. WVUIT was not able to locate the supporting paper

documentation file so that we could verify the employee's balance. Additionally, WVU Benefits Administration made a manual correction for another employee who was charged 22.0 hours of sick leave in MAP during one pay period, when he only used 11.0 hours. However, we obtained the paper documentation, which indicated that the employee had actually used 15.0 hours of sick leave.

Criteria:

We believe that WVU's mistake in granting an extra accrual of sick leave was noncompliant with Section 4 of the WVU Board of Governors Rule on Employee Leave (Policy 24), which states in part:

"4.1 Sick Leave Accrual

4.1.1 Leave eligible employees occupying 1.0 FTE positions shall accumulate sick leave at the rate of 1.5 days per month."

Additionally, Section 5 of the Higher Education Policy Commission's Employee Leave Procedural Rule (Title 133, Series 38) states, in part:

"5.1 Full-time employees shall accumulate sick leave at the rate of 1.5 days per month."

We documented leave procedures by interviewing all WVUIT on-campus leavekeepers, all of whom indicated that the leave process was initiated by an employee making an electronic request through MAP. This request was then forwarded to the employee's supervisor, who approved or denied the request via MAP.

Finally, we believe WVUIT's inability to locate an employee's paper documentation file was in noncompliance with West Virginia Code Chapter 5A, Article 8, Section 9(b), which states in part:

"The head of each agency shall:

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

Cause:

- (1) WVU Benefits Administration stated that the incorrect sick leave accrual was the result of a typographical error.
- (2) WVU Benefits Administration indicated that these various leave balance corrections might have been the result of employees not using as much leave as was approved and not notifying Benefits Administration. It was noted that corrections were made only after receipt of proper

supporting documentation. However, our review of paper leave documentation kept by the leavekeepers did not reveal any occasions where the employee did not use leave that had been approved.

- (3) Regarding the employee whose leave documentation WVUIT could not locate, this employee's leavekeeper was on medical leave and no other WVUIT employee was aware of the file's location. For the employee whose sick leave usage in MAP did not match the paper documentation, WVU Benefits Administration could not explain this discrepancy.

Effect:

- (1) Because the additional incorrect accrual of sick leave could not be reversed in MAP, it is possible that not all employee leave balances will be manually corrected. This could result in employees using sick leave that they have not earned and WVUIT being without the use of state monies.
- (2) If the incorrect deductions from employees' balances were not discovered, the employees would have been without the use of leave that they properly earned.
- (3) For the employee whose paper documentation was missing and the employee whose sick leave usage in MAP did not match the paper documentation, incorrect balances could result in use of leave hours that were not earned or in the employees not receiving the benefit of leave hours that were properly earned.

Recommendation:

We recommend that the institution comply with the WVU Board of Governors Rule on Employee Leave and the Higher Education Policy Commission's Employee Leave Procedural Rule by ensuring that all employee leave balances are correct. We also recommend the institution comply with West Virginia Code Chapter 5A, Article 8, Section 9(b) and maintain all records and files for employees.

Spending Unit's
Response:

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 7*.

Internal controls to redundantly check data entered in MAP processes has been implemented. These controls will diminish the potential for the recording of incorrect sick or annual leave accruals.

The University is implementing an automated real-time time-management system (MyTime) to help eliminate the potential for errors in leave records described in *Finding 7*. MyTime will eliminate the necessity for handwritten reconciliation of leave records and, thus, eliminate the potential for human error including typographical errors.

Tech has implemented a process to assign a back-up for all recurring duties and responsibilities. Two back-ups are assigned for highly critical institutional duties and responsibilities. The application of this type of redundancy to the maintenance of records will prevent future misplacement of records as described in *Finding 7*.

Finding 8**Incorrect Annual Increment Payments**

Condition:

We randomly selected 20 annual increment transactions from a population of 193 that occurred during the audit period. From this sample of 20 transactions, we identified three exceptions to annual increment procedures.

Employee Name	Years of Service	Increment Payment Date	Actual Annual Increment Paid	Audited Annual Increment	Overpayment/ (Underpayment)
Employee #1	8	07/30/07	\$350.00	\$400.00	\$(50.00)
Employee #2	13	08/16/07	\$100.00	\$ 50.00	\$ 50.00

- (1) Employee #1 was a part-time worker from September 1995 through January 2004 and had a full-time equivalency of 0.6; for that time period, her personnel file indicated that she had four years of service, though there was no supporting documentation. We requested and received the Service Verification Form from the WVU Division of Human Resources, which stated that the employee had eight years of service as of June 30, 2007. However, payroll records indicated that she received an annual increment payment of \$350.00 on July 30, 2007. WVU's HR Division responded that the employee should have been paid \$400.00 for eight years of service; therefore, she was underpaid by \$50.00. WVU's HR Division indicated that WVU's Classification and Compensation unit would rectify the matter.
- (2) According to Employee #2's personnel file, she had 13 years of service as of June 30, 2007; this should have resulted in a \$650.00 annual increment payment. The EPICS Payroll system indicated that she received \$600.00 on June 30, 2007. Another increment payment in the amount of \$100.00 was disbursed to this employee on August 16, 2007, which resulted in a total overpayment of \$50.00. A memorandum from the WVU Division of Human Resources noted this overpayment.
- (3) Employee #3 did not receive her annual increment payment on July 30, 2007, which was the payment date. According to the EPICS Payroll system, she received an annual increment disbursement on March 31, 2008. WVU's HR Division could not explain why the employee did not receive her annual increment payment on the correct date and stated that it might have been an administrative error.

Criteria:

We believe that WVUIT's failures (1) to disburse the correct amount of annual increment pay and (2) to disburse annual increment payment on the correct date were noncompliant with Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended [effective until June 25, 2008], which 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.”

Additionally, the WVU Board of Governors Rule on Annual Increment (Policy 32) states, in part:

“2.1 Every eligible employee...with at least the minimum statutorily defined or more years of credited West Virginia State service, shall receive an annual increment payment equal to the statutorily defined dollars times the employee’s eligible West Virginia State years of service, without limit.”

Cause: WVU could not provide an explanation for any of the annual increment errors.

Effect: For Employee #1 and Employee #3, the employees were without the use of annual increment monies and were potentially deprived of interest. Additionally, Employee #1’s annual increment payments may have been incorrectly calculated back to the point where she became eligible to receive annual increment payments.

For Employee #2, the agency was without the use of states monies and was potentially deprived of interest. In the memorandum from WVU’s HR Division that noted the July 2007 overpayment, it was also noted that this amount was recaptured from the employee in October 2007; however, WVUIT was unable to provide us with evidence that the payment was recaptured.

Recommendation: We recommend that the institution comply with Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended, and the WVU Board of Governors Rule on Annual Increment by ensuring that annual increment amounts correspond to employees’ years of service and by ensuring that annual increment payments are paid timely. It should be noted that WVU has acknowledged mistakes in each case and taken measures to rectify the situations; however, they have not strengthened internal controls over annual increment payments.

Spending Unit’s
Response:

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 8*.

West Virginia University is improving internal controls to decrease the potential for annual increment errors like those identified in *Finding 8*.

Tech is providing every Tech employee with a report that includes details of their respective employment as recorded in the MAP system in advance of the annual increment payment. This additional report includes longevity. These

reports act as an additional “checks” by individual employees to bring to the attention of appropriate authorities any errors from the employees’ perspectives.

Finding 9

Improper Internal Controls for Facilities and Food Services

Condition:

During our procedural interviews, we observed that no fee schedules or uniform contracts for outside groups or individuals utilizing WVUIT facilities were available for our review. Because of the lack of documentation, we could not determine amounts that were charged nor could we determine amounts that should have been collected relating to such facility usage during the audit period.

These issues were noted in the prior Post Audit Report of the WVUIT Housing and Dining Account, for the period of July 1, 2001 through June 30, 2003. The agency's written response to the finding stated that procedures would be implemented to ensure that standard rental/lease agreements are completed for campus facility usage and that established rate schedules would be used in the future; however, these procedures were not implemented by WVUIT.

Criteria:

We believe this is in noncompliance with the University System of West Virginia Board of Trustees, Title 128, Series 55, Section 3, relating to the use of institutional facilities by off-campus groups or individuals, which states in part:

"3.2....(c) A standard rental/lease agreement accompanied by evidence of such insurance protection as may be required to adequately protect the institution shall be executed by the campus sponsor and also be signed by a responsible officer of the noncampus organization desiring to use a campus facility...."

"3.2....(d)...All charges must be reasonable, charged equally to all similar groups, and be published in advance...."

We also believe this is in noncompliance with the provisions of Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, which states:

"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."

Cause:

We spoke with the Director of Residence Life, who stated that he negotiated the prices charged to each organization/individual on a case-by-case basis or, if he was directed to do so, he accepted the prices that the organization/individual offered. The negotiations between the Office of Residence Life and these groups or individuals were often conducted via email. The Director also stated that it was not generally the practice of the institution to require those

organizations/groups who utilized the institution's facilities to sign a standard rental/lease agreement.

Effect: The institution's failure to execute and/or maintain a standard rental/lease agreement for organizations/individuals using the institution's facilities resulted in the inability of the institution to enforce the agreement, if necessary. Further, the lack of a detailed written agreement could have resulted in a disagreement between the parties regarding services to be provided and prices of those services. Without an agreement, the institution might have been unable to recover costs associated with damages to the facilities caused by such organizations or individuals. Finally, the institution's failure to maintain a published listing of prices for the use of its facilities may have resulted in organizations/individuals not being charged equally.

Recommendation: We recommend that the institution comply with the University System of West Virginia Board of Trustees, Legislative Rule Title 128, Series 55 by obtaining a rental agreement with each organization/individual that utilizes campus facilities and by implementing a standard fee schedule to be used for all such organizations/individuals. We further recommend West Virginia University Institute of Technology comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, through strengthening internal controls over the use of institutional facilities by outside organizations/individuals.

**Spending Unit's
Response:**

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 9*.

Fee schedules and uniform contracts have been developed for use with outside groups or individuals that use Tech facilities. Any group or individual that uses Tech facilities must have a contract in place before the facilities are used. In addition, Tech has purchased facilities scheduling/rental software. Tech is currently updating the related policies and procedures and fee schedules for renting facilities to outside organizations and individuals to include effective use of the new software tools.

Finding 10

Improper Management of Time Sheets

Condition:

During our examination of payroll transactions, we found that four out of 72 time sheets (6%%) were calculated incorrectly. Because of the miscalculations, one employee was overpaid \$178.35 for overtime and another employee was overpaid \$145.05 for overtime and straight time. Additionally, we noted one instance in which an appropriate supervisory official did not approve an employee's time sheet and eight instances where an employee's time sheet was not signed by the employee.

Criteria:

We believe the instances of miscalculation of overtime and/or straight time are in noncompliance with Section 4 of Higher Education Policy Commission Procedural Rule Title 133, Series 8, *Personnel Administration*, which states in part:

“SECTION 4. COMPENSATION; PAY CALCULATIONS...

4.3 Overtime pay for nonexempt employees is calculated at the rate of one and one-half (1 ½) times the regular hourly rate, which is the total base salary, plus any incremental pay, divided by 1,950 hours. Overtime does not commence until forty (40) hours have actually been worked within one (1) workweek. Regular hourly pay, also known as "straight time," is paid for work time between thirty-seven and one-half (37 ½) hours and forty (40) hours in a work week.

4.4 **Only actual hours worked are included in calculating overtime.** Pay which is received for holidays, annual leave, sick leave, or work release time, as authorized by Series 35, is not counted as working hours for purposes of overtime.” **(Emphasis Added)**

Additionally, we believe the instances of unsigned time sheets are in noncompliance with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, which states in part:

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

Finally, these overpayments were in noncompliance with West Virginia Code Chapter 12, Article 3, Section 13, which states in part:

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

Cause: We believe the above instances of miscalculations of straight time and overtime were the result of clerical errors. We could not verify this due to the fact that the employee who supervised payroll during the audit period retired in July 2009. The employee was responsible for recalculating the hours of overtime worked by looking at the employee's timesheets and then submitting those hours for pay to WVU payroll and tax services via MAP.

Effect: Miscalculating an employee's straight time and overtime hours might have resulted in either the employee receiving additional compensation for straight time/overtime for which the employee is not entitled to receive or the employee not being fully compensated for straight time/overtime for which the employee has earned. Supervisory personnel not reviewing and signing off on an employee's time sheet before submitting the time sheet to the appropriate payroll personnel for further processing might have resulted in an over or under payment for straight time/overtime based on inaccurate time sheets.

Recommendation: We recommend WVUIT comply with Section 4 of the Higher Education Policy Commission Procedural Rule Title 133, Series 8, Personnel Administration. We also recommend WVUIT comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, by strengthening internal controls over the area of supervisory review of employee time sheets.

Spending Unit's
Response:

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 10*.

The University is implementing an automated real-time time-management system (MyTime) to help eliminate the potential for errors in time sheets as described in *Finding 10* in addition to eliminating errors in leave records as described in *Finding 7*. MyTime will eliminate the necessity for transcribing time sheets into electronic systems. Employees will enter hours worked directly into the electronic system through time clocks or web-based portals. Supervisors are automatically and immediately electronically notified of time sheet submissions and, thus, can approve or disapprove of the submissions very quickly. Notifications of supervisors not acting on time sheets in a timely fashion are automatically sent to the next level of supervisors for action. This facilitates an opportunity for appropriate counseling or discipline when necessary or simply a back-up for the process when the immediate supervisor is not available for good reasons.

Finding 11 **Segregation of Duties in the Business Office**

Condition: During the audit period, an accounting assistant in the Business Office received cash for parking tickets, entered the receipts into the Banner system, and took the deposits to the bank. These job duties are conflicting and could lead to a heightened possibility that fraud could occur. Also, there is no management oversight procedure in place that would offset the lack of segregation of duties in this situation.

Criteria: We believe that this is in noncompliance with WV Code Chapter 18B, Article 5, Section 9, as amended, which states in part:

“(a) The governing boards of Marshall University and West Virginia University each shall ensure the fiscal integrity of its operations using best business and management practices.

(1) The practices include at least the following:

(A) Complying with Generally Accepted Accounting Principles of the Governmental Accounting Standards Board (GAAP); and the Generally Accepted Government Auditing Standards of the Government Accountability Office (GAGAS);

(B) Operating without material weakness in internal controls as defined by GAAP, GAGAS and, where applicable, the Office of Management and Budget (OMB) Circular A-133;...”

Also, we believe this issue is in noncompliance with WVU’s University-Wide Cash Handling Policy (WVU-CO-30), which states in part:

“Cash handling procedures must be designed to ensure controls are adequate to safe-guard assets, provide auditable records and maximize investment potential. Directors and supervisors are responsible for ensuring approved cash handling procedures are consistently followed.”

Cause: Due to the lack of personnel employed in the Business Office, these duties were unable to be separated.

Effect: Inadequate internal controls over cash handling increased the risk that a loss or misappropriation of State monies might have occurred and not been detected.

Recommendation: We recommend that the institution comply with Chapter 18B, Article 5, Section 9, as amended, of the West Virginia Code and WVU Policy WVU-CO-30 by segregating the duties of recording and custody of all cash receipts in the Business Office or establish a management oversight procedure that would ensure proper cash handling. For example, have a manager or supervisor randomly audit daily cash deposit slips for errors and accuracy.

Spending Unit's
Response:

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 11*.

The Tech Business Office operation during the period the audit was conducted has dramatically changed relative to the Business Office operation for the period audited. Currently, a different cashier verifies receipts that are entered by another cashier prior to deposit to the bank. We realize an internal control deficiency and have therefore initiated a search process for an accountant to perform that task, consistently, as well as help to maintain proper internal controls in the area.

The response to *Finding 7* included a description of a process to assign a back-up for all recurring duties and responsibilities. Two back-ups are assigned for highly critical institutional duties and responsibilities. The application of this type of redundancy will also improve the internal controls of the Tech Business Office Operations.

Finding 12

Noncompliance with the Prompt Pay Act of 1990

Condition:

Based on a test of controls performed on 156 P-Card transactions, 19 invoices (12%), totaling \$171,286.70, were not processed within the requisite ten days. Also, 26 invoices (17%), totaling \$70,331.56, were not date stamped when received; as a result, we were unable to make a determination of whether these invoices were processed for payment in accordance with Chapter 5A, Article 3, Section 54 of the WV Code (also known as the Prompt Pay Act of 1990).

WVUIT’s policy, as described to us, was to date stamp an invoice when received. Additionally, WVUIT’s policy was for employees to complete an Accounting Information Form (AIF) at the time the P-Card was used to pay the invoice. We noted the following transactions were not processed timely.

Vendor	Transaction Amount	Invoice “Received” Date	AIF Date	Difference (Days)*
GREYSTONE GROUP AD	\$ 1,443.20	05/05/08	05/19/08	11
PAYMENT FEE	\$ 1.50	02/04/08	02/19/08	11
PAYMENT FEE	\$ 1.50	02/04/08	02/19/08	11
AMERICAN WATER	\$ 30.51	05/14/08	05/29/08	11
PALINET AND UNION LIBRARY	\$25,147.75	06/28/07	07/17/07	13
CASTO TECHNICAL SERVICES	\$16,214.00	10/03/07	10/24/07	15
CASTO TECHNICAL SERVICES	\$16,214.00	02/04/08	02/25/08	15
CASTO TECHNICAL SVCS INC	\$ 5,758.00	02/04/08	02/25/08	15
CASTO TECHNICAL SERVICES	\$16,214.00	01/07/08	01/29/08	16
SUDDENLINK	\$ 132.59	06/13/07	07/06/07	16
CASTO TECHNICAL SERVICES	\$16,214.00	09/07/07	09/30/07	16
CASTO TECHNICAL SERVICES	\$16,214.00	11/05/07	11/28/07	15
CASTO TECHNICAL SERVICES	\$16,214.00	03/04/08	04/01/08	21
CASTO TECHNICAL SERVICES	\$16,214.00	04/03/08	05/01/08	21
AARON'S PRODUCTS	\$ 1,825.11	05/14/07	06/12/07	21
COLOR CRAFT PRINTING	\$ 3,495.00	10/09/07	11/07/07	22
AARON'S PRODUCTS	\$ 576.00	06/05/07	07/05/07	21
CASTO TECHNICAL SERVICES	\$16,214.00	07/03/07	08/03/07	23
CHAPMAN PRINTING CO.	\$ 1,906.74	02/06/08	03/09/08	22
SOUTHERN COMMUNICATION	\$ 2,700.00	08/08/07	09/10/07	23

**Difference in business days (excluding weekends and holidays)*

From the same sample of 156 P-Card transactions, the invoices for the following purchases were not date stamped upon receipt. As a result, we were unable to determine if the invoices were processed timely.

Vendor	Transaction Amount	AIF Date
MOUNTAINEER WHOLESAL	\$ 319.38	07/02/07
GAME PLAN TECHNOLOGIES	\$ 4,995.00	10/05/07
WV RADIO CORP OF CHAR	\$ 900.00	07/09/07

Vendor	Transaction Amount	AIF Date
CASTO TECHNICAL SERVICES	\$ 16,214.00	08/30/07
HAR*HARCOURT/ELSEVIER	\$ 903.85	08/08/07
EMI NETWORK	\$ 18,500.00	09/12/07
GORDON FOOD SERVICE INC	\$ 78.78	10/01/07
EMI NETWORK INC	\$ 3,825.00	10/09/07
ACT*PROGRAMS	\$ 450.00	10/30/07
TODDWESLEYI	\$ 4,912.00	10/22/07
GORDON FOOD SERVICE INC	\$ 2,171.42	10/02/07
U.S. FOODSERVICE/W. VA	\$ 1,422.46	09/28/07
MULTI-FRESH INC	\$ 602.00	10/09/07
AMERICAN HOTEL REGISTER	\$ 227.81	11/28/07
CUSTOM CARPETS CO	\$ 3,217.93	10/08/07
CUSTOM CARPETS CO	\$ 2,087.07	10/12/07
CHARLESTON NEWSPAPER	\$ 720.00	11/07/07
U.S. FOODSERVICE/W. VA	\$ 1,927.11	12/07/07
CROOK BROTHERS	\$ 1,075.00	01/25/08
NATL RESRCH CTR COLLEGE &	\$ 1,570.00	02/07/08
OATES SPECIALTIES	\$ 1,068.17	02/12/08
REINHART FOOD SERVICE LL	\$ 1,025.71	02/21/08
VWR INTERNATIONAL INC	\$ 38.51	03/25/08
STAPLES DIRECT00209908	\$ 248.16	04/16/08
WESCO DISTRIBUTION #1732	\$ 1,528.20	05/27/08
WESCO DISTRIBUTION #1732	\$ 304.00	05/19/08

Additionally, in performing a test of controls for a sample of 77 cash disbursements and six lease payments, the invoices for the following 20 purchases (24%) totaling \$572,935.35 were not processed within the requisite ten days.

Vendor Name	Amount	Date Stamped Received	Date Processed	Difference (Days)*
CHASE EQUIPMENT LEASING INC	\$ 6,947.37	10/09/07	10/23/07	11
CHASE EQUIPMENT LEASING INC	\$ 6,947.37	08/31/07	09/18/07	12
NATL CASUALTY	\$ 189.00	07/02/07	07/18/07	12
CHASE EQUIPMENT LEASING INC	\$ 6,947.37	08/07/07	08/24/07	14
EBSCO SUBSCRIPTION SERVICES	\$ 70,730.00	12/04/07	12/21/07	14
MCKINLEY & ASSOCIATES INC	\$ 34,650.00	07/02/07	07/20/07	14
STATE JOURNAL	\$ 1,180.00	07/31/07	08/17/07	14
WV BASEBALL LLC WV POWER	\$ 1,500.00	04/12/08	05/06/08	17
DENNIE DATACOM LLC	\$ 1,190.00	06/13/07	07/10/07	18
DENNIE DATACOM LLC	\$ 490.00	07/16/07	08/08/07	18
GEORGE WASHINGTON HIGH SCHOOL	\$ 25.00	07/09/07	08/01/07	18

Vendor Name	Amount	Date Stamped Received	Date Processed	Difference (Days)*
DIXIE SPORTING GOODS CO INC	\$ 16,746.25	11/20/07	12/20/07	21
SUNTRUST FINANCING & LEASING	\$402,437.77	09/24/07	10/24/07	22
VERSATILE SYSTEMS INC	\$ 1,158.68	01/04/08	02/11/08	26
CHASE EQUIPMENT LEASING INC	\$ 6,947.37	07/02/07	08/13/07	30
CHAPMAN PRINTING CO INC	\$ 9,759.67	09/07/07	10/19/07	30
CHANCELLOR HIGH SCHOOL	\$ 35.00	07/09/07	08/27/07	36
KIWANIS CLUB OF COLUMBUS	\$ 175.00	07/30/07	09/19/07	37
MED ASSOCIATES INC	\$ 3,942.00	06/22/07	08/16/07	39
PROGRESSITY DEVELOPMENT SOLUTIONS INC	\$ 937.50	09/10/07	11/09/07	44

**Difference in business days (excluding weekends and holidays)*

Finally, we noted during the test of cash disbursements that the following cash disbursements (0.01%) totaling \$5,200.00 was not paid within 60 days of receipt of the invoice:

Vendor Name	Amount	Date Received	Date Paid	Difference (Days)*
NAIA	\$5,200.00	04/23/07	07/30/07	68

**Difference in business days (excluding weekends and holidays)*

Criteria:

We believe that WVUIT’s failure to process and pay these invoices timely is in noncompliance with Chapter 5A, Article 3, Section 54 of the West Virginia Code, as amended, which states in part:

“(b) (1)...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, 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.”

...

“(b) (3) For purposes of this subsection, an invoice shall be deemed to be received by a state agency on the date on which the invoice is marked as received by the agency...”

...

“(d) The state agency initially receiving a legitimate uncontested invoice shall process such invoice for payment within ten days from its receipt....” (Emphasis Added)

Effect: The failure to process and pay invoices timely, as required by the Prompt Pay Act, could have resulted in WVUIT being liable for the payment of interest to vendors if they chose to enforce the provisions of the Act. Therefore, WVUIT could have been without the use of such funds for other purposes because it was used for interest payments. Additionally, WVUIT risked that vendors might be reluctant to provide goods and services to WVUIT and, as a result, WVUIT would have to pay a premium to obtain these goods and services from other vendors.

Cause: According to the Director of Purchasing, these transactions were not processed in a timely manner for several reasons. The explanations for processing delays included the following: failure by employees to submit purchase orders prior to making purchases, failure by the purchasing cardholder to process the invoices in a timely manner, the cardholder was on leave and not in the office, vendor delay in processing the payment, an agreement with a vendor to settle the account at month’s end, vendor’s delay in sending the invoice, resignation of key employees, and invoices being sent to West Virginia University by WVUIT employees.

Recommendation: House Bill 4582 which was passed on March 13, 2010 repealed WV Code 5A-3-54, also known as the “Prompt Pay Act of 1990.” The Prompt Payment Act of 1990, before being repealed, required State agencies to process a vendor’s legitimate uncontested invoice within ten (10) days of receipt by the agency. Additionally, State agencies were required to pay a vendor’s legitimate uncontested invoice within sixty (60) days of receipt to avoid liability of interest payments to the vendor. Although this act was repealed, we believe that for internal controls to be effective, invoices should be processed timely, therefore, we recommend that WVUIT promptly process invoices upon receipt.

Spending Unit’s Response:

West Virginia University Institute of Technology (Tech) developed internal controls, policies and procedures that implement the recommendations of the Legislative Post Audit Division for *Finding 12*.

Subsequent to the examination period in consideration, a full-time Chief Business Officer for WVU Institute of Technology (Tech CBO) position has been established and filled. The individual holding this position helped provide the information used by the Legislative Auditor to develop this report and, specifically, *Finding 12*. The CBO supervises the Director of Purchasing and has overseen his development of internal controls, policies and procedures to prevent violation of the State statutes and rules described in *Finding 12*. The improved internal controls, policies and procedures provide means of

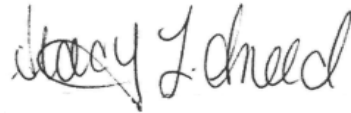
preventing violations noted in *Finding 12*:

- 1) Clear and complete documentation about rationale for not processing payment when vendors provide incomplete or inaccurate invoices are produced; that is, contested invoices are duly noted in the business office in an auditable fashion.
- 2) All invoices are date stamped by the office that receives the invoice and promptly sent to more appropriate offices when necessary.
- 3) The Tech Business Office notifies the supervisors of employees that are more than five days delinquent in the processing of P-Card transactions. This action allows supervisors to take corrective action before the requisite ten-day processing period expires. The business office notifies the Campus Provost Office if policies and procedures regarding a particular transaction have not been completed within nine days.
- 4) The Tech CBO periodically runs a test of controls to ensure policies and procedures associated with 1 through 3 are upheld and prevent violation of State rules and statutes described in *Finding 12*.

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, CICA, 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 25th day of May 2010.



Stacy L. Sneed, CPA, CICA, 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 West Virginia Higher Education Policy Commission; West Virginia University Institute of Technology; West Virginia University; Governor; Attorney General; and State Auditor.