

LEGISLATIVE POST AUDIT REPORT

West Virginia State University - Collection and Deposit of Revenues

FOR THE PERIOD JULY 1, 2008 - JUNE 30, 2009

AUDIT SUMMARY

- Failure to Administratively Withdraw Students for Nonpayment of Tuition and Housing
- Bookstore: Lack of Adequate Internal Controls
- Bookstore: Failure to Collect and Remit Sales Tax



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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 WV Code §4-2, as amended, we have conducted an audit of the West Virginia State University (WVSU) for the period of July 1, 2008 through June 30, 2009. This report is limited to WVSU's activities related to revenue collections and deposits made in WVSU accounts. It excludes, however, revenue collections and deposits of the WVSU Student Union, the WVSU Testing Center and the WVSU Child Development Center. We have scheduled for completion at a future date a separate report on WVSU's disbursements covering, but not necessarily limited to, activities related to purchases of commodities and services, travel reimbursements, and employee pay, as well as the collection and deposit of revenues of the Student Union, Testing Center and Child Development Center. We released a previous report dated July 23, 2011, covering WVSU monies deposited into the WVSU Research and Development Corporation for the period of July 1, 2008 through June 30, 2009.

We have conducted our audit in accordance with Generally Accepted Government Auditing Standards (July 2007 Revision) except for the organizational independence impairment discussed in the Objectives and Methodologies section of this report. Our audit disclosed certain findings that are detailed in this report. Included in Appendix A of this report are WVSU's responses to our audit findings.

Respectfully submitted,

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

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

SLS/cdo

**WEST VIRGINIA STATE UNIVERSITY
COLLECTION AND DEPOSIT OF REVENUES
JULY 1, 2008 – JUNE 30, 2009**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	- 1 -
INTRODUCTION	- 8 -
POST AUDIT AUTHORITY	- 8 -
BACKGROUND	- 8 -
WEST VIRGINIA STATE UNIVERSITY CONTACTS	- 9 -
AUDIT SCOPE	- 10 -
OBJECTIVES AND METHODOLOGIES	- 10 -
CONCLUSIONS	- 11 -
EXIT CONFERENCE	- 12 -
FUND LISTING	- 13 -
REPORTABLE COMPLIANCE AND OTHER MATTERS	- 15 -
FINDING 1: FAILURE TO ADMINISTRATIVELY WITHDRAW STUDENTS FOR NONPAYMENT OF TUITION AND HOUSING	- 15 -
FINDING 2: BOOKSTORE-LACK OF ADEQUATE INTERNAL CONTROLS	- 20 -
FINDING 3: BOOKSTORE-FAILURE TO COLLECT AND REMIT SALES TAX	- 25 -
FINDING 4: BOOKSTORE - ACCOUNTS RECEIVABLES	- 27 -
FINDING 5: LACK OF CONTROLS AND DOCUMENTATION OVER ATHLETIC EVENT TICKET SALES	- 29 -
FINDING 6: IMPROPER COMMISSIONS FROM FOOD SERVICE CONTRACTOR	- 31 -
FINDING 7: PARKING – INTERNAL CONTROLS AND DOCUMENTATION FOR REVENUES	- 33 -
FINDING 8: PARKING - ASSESSMENT OF PARKING FEES	- 35 -
FINDING 9: MISSING MONIES FROM LIBRARY CHANGE MACHINE	- 37 -
FINDING 10: UNAPPROVED IMPREST (CASH) FUNDS	- 39 -
FINDING 11: LACK OF ADEQUATE OVERSIGHT OVER FACULTY/STAFF HOUSING	- 41 -
FINDING 12: STUDENT HOUSING – COLLECTION OF STUDENT HOUSING DEPOSITS	- 44 -
FINDING 13: STUDENT HOUSING – ASSESSMENT OF NEW HOUSING RESIDENT FEES	- 46 -
FINDING 14: STUDENT HOUSING – DISCREPANCIES IN DOCUMENTED POLICIES	- 47 -
FINDING 15: LACK OF CONTRACT OR AGREEMENT FOR RENTAL OF WV SU CAPITOL THEATER	- 50 -
FINDING 16: STUDENT HOUSING - COLLECTION OF HOUSING FINES	- 52 -
APPENDIX A	- 54 -
CERTIFICATE OF DIRECTOR: LEGISLATIVE POST AUDIT DIVISION	- 57 -

**WEST VIRGINIA STATE UNIVERSITY
COLLECTION AND DEPOSIT OF REVENUES
JULY 1, 2008 – JUNE 30, 2009**

EXECUTIVE SUMMARY

Finding 1 Failure to Administratively Withdraw Students for Nonpayment of Tuition and Housing

For the Spring 2009 semester, WVSU permitted 103 students to attend classes and remain enrolled until one week before semester finals—even though these students made no payments for tuition. Finally, on May 1, 2009, WVSU deleted the students from their rolls. This was several weeks after the last due date for tuition. The tuition due from these 103 students totaled \$217,484.00. Fourteen of the 103 students noted above resided on campus in WVSU dormitories. Although these 14 students made no payments for room and board, WVSU allowed the students to reside in the dormitories and use meal cards until at least May 1, 2009, which was several weeks after the last payment for room and board was due. The total due from the 14 students for room and board for the semester was \$44,065.00. Unlike tuition, the room and board charges were not deleted from school records and the school continued collection efforts after the end of the Spring 2009 semester. Five students eventually paid their room and board charges. As of September 20, 2012, the debt for the other nine students was in collections.

Auditor's Recommendation

We recommend WVSU adhere to their documented policies regarding the collection of tuition and room and board.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 2 Bookstore-Lack of Adequate Internal Controls

The WVSU Bookstore deposited approximately \$1.48 million in gross revenues in WVSU accounts during State fiscal year 2009. During our testing of bookstore revenues, we noted multiple internal control deficiencies related to a lack of segregation of duties of the authorization and custody of asset functions. Other internal control deficiencies include: (a) A lack of control regarding cash refunds disbursed within the bookstore; (b) The bookstore accepted checks from customers for amounts exceeding the purchase price and returned cash to the customer for change; and (c) Some items in the West Virginia State University Bookstore inventory were not tagged or marked for inventory inclusion at the time they were sold.

Auditor's Recommendation

We recommend WVSU comply with WV Code §12-2-2, as amended, and Legislative Rule Title 112 Series 3. We further recommend WVSU strengthen internal controls over bookstore operations.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 3 Bookstore-Failure to Collect and Remit Sales Tax

We noted the WVSU Bookstore failed to collect and remit to the State Tax Department sales tax on certain items subject to such tax. Based on the results of our audit test, we estimated the bookstore failed to collect and remit to the State Tax Department between 12,000.00 and \$12,400.00 in sales tax on taxable items for fiscal year 2009.

Auditor's Recommendation

We recommend WVSU comply with WV State Tax Department Publication TSD-300 and ensure the bookstore collects and remits sales tax to the State Tax Department on all bookstore items sold subject to sales tax. We also recommend WVSU determine the amount of un-assessed sales tax on taxable items in each year the items were classified improperly and remit this amount to the State Tax Department.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 4 Bookstore - Accounts Receivables

During the test of West Virginia State University Bookstore revenues, we noted the Bookstore violated the WVSU Board of Governor's policy by extending credit to individuals. With a few explicit exceptions, WVSU Board of Governor's policy prohibits the extension of bookstore credit to individuals. Nevertheless, the Bookstore extended credit to WVSU's Vice Presidents, athletics coaches, faculty, bookstore staff and other individuals during our audit period.

Auditor's Recommendation

We recommend WVSU comply with their Board of Governor's Policy #20 and cease issuing credit accounts to WVSU faculty, staff and other individuals.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 5 Lack of Controls and Documentation over Athletic Event Ticket Sales

While reviewing the procedures over ticket sales, we noted the following: (a) There was a lack of segregation of duties combined with a lack of management oversight over ticket sales; (b) No reconciliation of tickets disbursed to ticket monies deposited was performed; and (c) Ticket stubs were not maintained.

Auditor's Recommendation

We recommend the WVSU's Athletics Department comply with WV Code §5A-8-9 and establish controls to mitigate the risk ticket revenues may be lost or stolen.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 6 Improper Commissions from Food Service Contractor

WVSU was underpaid commissions by a food service contractor. AVI Foodsystems (AVI) contracted with WVSU whereby AVI was permitted to sell food at WVSU's main campus in exchange for payment of commissions for pre-paid meal plan sales made from AVI retail venues. However, the vendor underpaid commissions for some pre-paid meal plan food sales. AVI commission payments to WVSU were not supported with documents containing sufficient detail in order for us to determine the amount of the commission underpayments. However, after informing WVSU of the underpayments, a WVSU official told us that AVI agreed to pay commissions totaling \$12,089.23 to correct the commission underpayments made from 2005 through 2011.

Auditor's Recommendation

We recommend WVSU monitor AVI commission payments and ensure they are in accordance with the terms of the contract.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 7 Parking – Internal Controls and Documentation for Revenues

We noted the following documentation and internal control deficiencies over parking revenues for our audit period of fiscal year 2009: (a) A lack of adequate supporting documentation supporting parking fines assessed, collections of monies, and refunds issued; (b) A summer student parking fees was instituted without proper authorization for establishment of the fee by the WVSU Board of Governors (BOG) and the WV Higher Education Policy Commission (HEPC). WVSU collected approximately \$4,785.00 for this fee during the summer semester of fiscal year 2009; and, (c) A summer staff parking fees was instituted without proper authorization for establishment of the fee by the BOG and the HEPC. During fiscal year 2009, WVSU collected \$160.00 in summer staff parking fees from eight staff members.

Auditor's Recommendation

We recommend that WVSU comply with WV Code §5A-8-9. We recommend WVSU develop and implement internal controls that ensure adequate records are maintained and that WVSU comply with WV Code §18B-10-1, as amended, and the WVSU Board of Governors Policy No. 20 and have all parking fees approved by the WVSU Board of Governors and the Higher Education Policy Commission, or cease collecting unapproved fees.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 8 Parking - Assessment of Parking Fees

We reviewed all 5,722 student accounts for parking charges and refunds for the Fall 2008 semester and noted the following: (1) Ten students were overcharged a total of \$600.00 for parking; and (2) Four students were undercharged a total of \$240.00 for parking.

Auditor's Recommendation

We recommend WVSU verify that parking fees are due the students when they withdraw, and that parking fees are due WVSU when students register by researching student accounts prior to processing refunds and payments.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 9 Missing Monies from Library Change Machine

WVSU maintained a change machine in the WVSU library so students and others could readily access change for use in coin-operated copiers. WVSU had a West Virginia State Treasurer's Office (STO) approved imprest (cash) fund for \$1,000.00 that was used to stock the change held in the machine. During our cash count conducted on April 16, 2010, we noted the machine only contained \$806.60 resulting in a shortage of \$193.40.

Auditor's Recommendation

We recommend WVSU comply with WV Code §5A-8-9 and ensure that adequate internal controls, which include routine counts of all cash funds, are implemented to protect WVSU's assets.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 10 Unapproved Imprest (Cash) Funds

While performing a cash count on April 16, 2010, we determined there were four cash collection points at WVSU where imprest funds were maintained without permission of the West Virginia State Treasurer's Office (STO) as follows: (1) The Director of the University Union and Student Activities maintained an unapproved change fund that had a balance of \$64.35; (2) The WVSU Bookstore maintained an unapproved change fund totaling \$625.00. Of this amount, \$125.00 was used as starting cash for the cash registers and the remaining \$500.00 was stored in a locked safe in the bookstore; (3) The Cashier's Office maintained an unapproved change fund totaling \$5,500.00; and (4) We noted an unapproved change fund totaling \$204.19 was maintained at the WVSU Capitol Center.

Auditor's Recommendation

We recommend WVSU comply with WV Code §12-2-2, as amended, and Legislative Rule Title 112, Series 3 by submitting applications for all imprest funds to the West Virginia State Treasurer's Office.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 11 Lack of Adequate Oversight over Faculty/Staff Housing

We noted the following deficiencies over faculty/staff housing rentals for fiscal year 2009: (1) We noted nine (64%) of the 14 residents living in WVSU faculty/staff housing did not have a valid rental agreement; A total of \$54,588.00 in rent fees was collected during the fiscal year without a valid housing contract; (2) We noted one resident was undercharged \$960.00 in rent during the fiscal year; (3) We noted nine, or 64%, of the 14 residents lived in WVSU faculty/staff housing for periods longer than three-year limit imposed by WVSU policies; and (4) WVSU rented a garage to a faculty/staff member for \$25 per month. However, the fee charged to the user for renting the garage had not been authorized by the WVSU Board of Governors, resulting in a total of \$300.00 in unauthorized collections during the fiscal year. In addition, the user of the garage did not have a valid rental agreement with WVSU.

Auditor's Recommendation

We recommend WVSU comply with WV Code §5A-8-9 and begin issuing new contracts on a yearly basis. We recommend WVSU comply with WV Code §18B-10-13, as amended, and have all faculty/staff housing fees approved by the WVSU Board of Governors, or cease collecting the fees. We also recommend WVSU comply with all internal policies regarding faculty/staff housing, or prepare and establish new policies and procedures for the University to follow.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 12 Student Housing – Collection of Student Housing Deposits

We reviewed 369 resident students to determine if outstanding balances existed for dormitory breakage deposits and noted 44 students did not pay either some or all of the required breakage deposits. Yet, WVSU permitted these students to live in the dormitories. Unremitted breakage deposits totaled \$4,390.00.

Auditor’s Recommendation

We recommend WVSU and the WVSU Office of Residence Life follow their policies, procedures, and contract terms by enforcing payment policies listed on the West Virginia State University tuition & fee schedules and student housing contracts.

Spending Unit’s Response

WVSU agrees with the finding. See Appendix A.

Finding 13 Student Housing – Assessment of New Housing Resident Fees

During our test of student housing, we noted six new resident students were not assessed the *new housing resident fee* and *new board enrollment fee* totaling \$600.00. Due to a computer programming glitch, those new resident students that submitted their 2008-2009 housing application packets with their deposit payments by the due dates were not assessed these fees. Further, WVSU did not subsequently bill these students for the fees.

Auditor’s Recommendation

We recommend the WVSU Office of Computer Services correct the programming error so new residents are charged the proper fees in compliance with the WVSU fee schedules.

Spending Unit’s Response

WVSU agrees with the finding. See Appendix A.

Finding 14: Student Housing – Discrepancies in Documented Policies

WVSU’s Office of Residence Life had a printed policy manual (Residence Hall Manual) for students and staff to reference when questioning fees, fines, payments, refunds, etc. We found this policy manual to be inconsistent between the different subsections of the manual itself, as well as with the student housing contract terms stated on the back of the Student Housing Contract. Therefore, we could not determine which policies were correct for our audit of Residence Life.

Auditor’s Recommendation

We recommend the WVSU Office of Resident Services comply with WV Code §5A-8-9, by updating their Residence Hall Manual and Student Housing Contract to accurately and adequately reflect currently practiced fiscal policies in place at WVSU. Also, we

recommend WVSU ensure that the manual and the contract accurately parallel one another when policies are outlined in both documents.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 15: Lack of Contract or Agreement for Rental of WVSU Capitol Theater

WVSU allowed the Charleston Stage Company (CSC), the Contemporary Youth Arts Company (CYSC), and the West Virginia International Film Festival (WVIFF) to rent the WVSU Capitol Center without a written agreement during fiscal year 2009. WVSU deposited \$8,183 for rentals and vending sales during fiscal year 2009. The majority of deposits were from rentals; however, we were unable to determine the exact amount of Capitol Center revenues deposited for rentals due to a lack of detailed records recording the collection and deposit of \$3,193, or 39%, of the monies deposited during FY 2009.

Auditor's Recommendation

We recommend WVSU comply with WV Code §5A-8-9 and require all renters of the Capitol Center to sign a rental agreement that details lessee and WVSU obligations and expectations and, in the process, serves to protect the rights of WVSU and the lessee.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

Finding 16: Student Housing - Collection of Housing Fines

During our audit of Residence Life Fees and Fines, we noted the following: (1) WVSU's Office of Residence Life did not have an internal control in place that required a reconciliation of the fine invoices collected to the fine invoices issued; (2) We reviewed 28 fines and noted three students (10.7%) were overcharged a combined total of \$75.

Auditor's Recommendation

We recommend WVSU comply with WV Code §5A-8-9 and the WVSU Residence Hall Manual. We recommend WVSU implement an effective system of controls over the issuance and recording of fines.

Spending Unit's Response

WVSU agrees with the finding. See Appendix A.

**WEST VIRGINIA STATE UNIVERSITY
COLLECTION AND DEPOSIT OF REVENUES
JULY 1, 2008 – JUNE 30, 2009**

INTRODUCTION

POST AUDIT AUTHORITY

This report is on the post audit of the collection and deposit of revenues of West Virginia State University (WVSU), excluding the collection and deposit of revenues of the WVSU Student Union, the WVSU Testing Center and the WVSU Child Development Center. We have scheduled for completion at a future date a separate report on WVSU's disbursements covering, but not necessarily limited to, activities related to purchases of commodities and services, travel reimbursements, and employee pay, as well as the collection and deposit of revenues of the Student Union, the Testing Center and the Child Development Center. We released a previous report dated July 23, 2011, covering WVSU monies deposited into the WVSU Research and Development Corporation for the period of July 1, 2008 through June 30, 2009.

Our audit of WVSU's revenue collections and deposits was conducted pursuant to Chapter 4, Article 2, as amended, of the West Virginia Code. This article 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."

BACKGROUND¹

West Virginia State University was founded under the provisions of the Second Morrill Act of 1890 as the West Virginia Colored Institute, one of seventeen land-grant institutions authorized by Congress and designated by the states to provide for the education of black citizens in agriculture and the mechanical arts. West Virginia was one of the states that maintained segregated educational systems at that time.

From 1891 to 1915, the original Institute offered the equivalent of a high school education, vocational training, and teacher preparation. In 1915, the West Virginia Collegiate Institute began to offer college degrees. Under the leadership of President John W. Davis, the academic program was expanded and new buildings were constructed, and in 1927, the institution was accredited by the North Central Association; in 1929, it became West Virginia State College (WVSC). Over the next decades, WVSC became recognized as one of the leading public institutions of higher education for blacks.

In 1954, the United States Supreme Court gave its historic decision outlawing school segregation. The consequence of this decision for West Virginia State College was a rapid transition from a black college to an integrated institution serving a predominantly white, commuting, and older student population. This shift in student population and mission occurred in part due to demographics and in part due to efforts made by the college administration to reverse a decline in enrollment during the early 1950's. Enrollment quadrupled during the following decade. Recently, WVSU has been approved to begin offering graduate courses and has received University Status.

¹ Background information for West Virginia State University obtained from the University's Web Site (<http://www.wvstateu.edu/about-wvsu/history>).

**WEST VIRGINIA STATE UNIVERSITY
COLLECTION AND DEPOSIT OF REVENUES
JULY 1, 2008 – JUNE 30, 2009**

WEST VIRGINIA STATE UNIVERSITY CONTACTS

Hazo W. Carter, Jr. President (1987 – June 2012)

Brian O. Hemphill President (July 2012 – Present)

Robert Parker..... VP of Finance (September 2004 – August 2011)

Melvin JonesVP of Business and Finance (August 2012 – Present)

Lawrence Smith..... Director of Fiscal Affairs (September 1994 - July 2012)

Vacant Director of Fiscal Affairs (Present)

Kristi Williams Controller (January 2005 – March 2010)

Lori B. Elliott..... Controller (April 2010 – Present)

Gwen Danford..... Supervisor of Student Loan Office

Sean Loyd Athletic Director

Mark Akers Bookstore Manager

Joseph Vannoy Program Assistant I

Vicki Barnes..... Food Services Manager

Margaret Easton Department of Public Safety Senior Administrative Secretary

Cornelious Jones Director of Residence Life and Services (August 1968 – June 2012)

Joseph Oden..... Assistant VP of Student Affairs

Patricia Shafer Academic Affairs Liaison

**WEST VIRGINIA STATE UNIVERSITY
COLLECTION AND DEPOSIT OF REVENUES
JULY 1, 2008 – JUNE 30, 2009**

AUDIT SCOPE

We have audited West Virginia State University (WVSU) for the period of July 1, 2009 through June 30, 2010. The scope of this report was limited to internal controls and compliance with laws, regulations, and provisions of contracts or grant agreements as they relate to the collection and deposit of revenues. The audit was conducted in accordance with Generally Accepted Government Auditing Standards, except for the organizational independence impairment described in the Objectives and Methodologies section below.

OBJECTIVES AND METHODOLOGIES

The objectives of our post audit for this report were to audit WVSU's collection and deposit of revenues and to make recommendations to the Legislature concerning audit findings. We were to determine whether monies due WVSU were collected, if these revenues were properly deposited, and if revenue transactions were recorded properly in the accounting systems. Additionally, we were to examine WVSU's records and internal control over revenue transactions and to evaluate WVSU's compliance with applicable State laws, rules, and regulations.

Except for the organizational impairment described in the following paragraph, we conducted this post audit, which is a performance audit, in accordance with the standards applicable to performance audits contained in GAGAS. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about WVSU's compliance with those requirements referred to above and performing such other procedures, as we considered necessary in the circumstances. Our audit does not provide a legal determination of WVSU's compliance with those requirements.

In accordance with W. Va. Code §4-2, the Post Audit Division is required to conduct post audits of the revenues and expenditures of the spending units of the state government. The Post Audit Division is organized under the Legislative Branch of the State and our audits are reported to the Legislative Post Audits Subcommittee. Therefore, the Division has historically been organizationally independent when audits are performed on an agency, board, or program of the Executive Branch of the State. However, this organizational independence was impaired when the President of the Senate became acting Governor of the State on November 15, 2010, in accordance with W.Va. Code §3-10-2. Audit work for any audit conducted after this date, but before November 13, 2011, will not comply with Generally Accepted Governmental Auditing Standards sections 3.12 – 3.15. These sections of the auditing standards assert that the ability of an audit organization to perform work and report the results objectively can be affected by placement within the governmental organizational structure. Since the President of the Senate was acting Governor, the Executive Branch had the ability to influence the initiation, scope, timing, and completion of any audit. The Executive Branch could also obstruct audit reporting, including the findings and conclusions or the manner, means, or timing of the audit organization's reports.

In preparation for our testing, we reviewed Chapter 18B of the West Virginia (WV) Code, which specifically relates to WV Higher Education institutions. We also reviewed the other applicable sections of the WV Code. In addition, we reviewed Title 1, Series 1 through 54 of the West Virginia Higher Education Policy Commission's (HEPC) rules and regulations and the WVSU Board of Governor's Polices Nos. 1 through 59. We documented provisions of the above that we considered significant. We determined compliance with those requirements noted in criteria listed above by interview, observation of the WVSU's operations, and through inspection of and conducting audit tests on WVSU documents and records. In addition, we obtained certain financial information recorded in WVFIMS via Crystal Reports. We also obtained and reviewed financial information recorded in the Banner accounting system, which is the primary accounting system used by WVSU. Additionally, we reviewed the WVSU budget, studied financial trends, and interviewed WVSU personnel to obtain an understanding of the programs and the internal controls respective to the scope of our audit. We prepared "procedure narratives" from these interviews and provided the interviewees opportunities to review and approve these narratives in order to diminish the chance of errors or misunderstandings. In planning and conducting our audit, we focused on the financial-related areas of operations.

We did not audit WVSU'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 review such programs administered by State agencies.

To select transactions for testing, both statistical and non-statistical sampling approaches were 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 by using professional judgment. Projections are only applicable to those samples chosen statistically. Where projections provide relevant information, they have been included in this report.

WVSU's written responses to the significant deficiencies and material weaknesses identified in our audit have not been subject to the auditing procedures applied in the audit of WVSU and, accordingly, we express no conclusion on the validity of the response.

WVSU'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, applying any evaluation of internal control to future periods is 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 Audits Subcommittee, the members of the WV Legislature, and management of WVSU. However, once presented to the Post Audits Subcommittee, this report is a matter of public record and its distribution is not limited. Our reports are designed to assist the Post Audits 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

West Virginia State University (WVSU) was responsible for material non-compliance with its policies regarding the collection of tuition and related fees and in the collection of room and board charges.

Failure to collect fees for these services to the degree we noted in our audit, while at the same time incurring the costs in providing them, can negatively affect the financial standing of the institution (see Finding 1).

In addition, we noted multiple internal control deficiencies in the operations of the West Virginia State University Bookstore. These deficiencies primarily related to a lack of segregated duties of the authorization and custody of asset functions with no internal control strength to offset this lack of segregated duties. We also noted lack of adequate internal controls regarding the bookstore's cash refund process as well as other deficiencies in the bookstore's policies and practices increased the risk that bookstore monies may be lost or stolen. As a result, we determined there was a high risk of significant fraud occurring and remaining undetected in regards to the operations of WVSU Bookstore (see Finding 2).

There was a general lack of adequate internal controls and adequate documentation in regards to the athletic event ticket sales. Because of inadequate documentation, lack of segregation of duties, and lack of management oversight of the tickets sold for WVSU sporting events, we were unable to determine if all monies due the State were collected and deposited as required (see Finding 5).

In addition, we were unable to perform audit procedures for WVSU parking fine revenues because important source records critical to the audit process were not maintained by the agency in a manner suitable for practical retrieval. Therefore, we were unable to acquire a reasonable level of assurance that parking fine revenues that should have been collected were collected and deposited to the credit of the institution (see Finding 7).

We noted other instances of non-compliance as described in the *Reportable Compliance and Other Matters* section of our report. We also noted instances of non-compliance that, while not significant enough to warrant inclusion in this report, still merit the attention of WVSU management. These items were communicated in a letter to WVSU management.

EXIT CONFERENCE

We discussed this report with management of WVSU on October 3, 2012. All findings and recommendations were reviewed and discussed. Management's response has been included at the end of the report in Appendix A.

**WEST VIRGINIA STATE UNIVERSITY
COLLECTION AND DEPOSIT OF REVENUES
JULY 1, 2008 – JUNE 30, 2009**

FUND LISTING

We have completed a post audit of the collection and deposit of revenues for West Virginia State University. The examination covers the period of July 1, 2008 through June 30, 2009.

GENERAL REVENUE ACCOUNTS

WVSU maintained the following account:

<u>Fund Number</u>	<u>Fund Name</u>
0373	General Administration Fund

SPECIAL REVENUE ACCOUNTS

WVSU maintained the following special revenue accounts. 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:

<u>Fund Number</u>	<u>Fund Name</u>
4611.....	Tuition and Required E&G Fees
4612	Auxiliary & Auxiliary Capital Fees
4613.....	Education and General Capital Fees
4614	Gifts, Grants, and Donations (Non-Federal)

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 W.Va. Code §18B-10-1).

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 W.Va. Code §18B-10-1).

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 W.Va. Code §18B-10-1).

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 W.Va. Code §18B-10-1).

FEDERAL ACCOUNT

WVSU maintained the following account that was funded with Federal sources:

<u>Fund Number</u>	<u>Fund Name</u>
8775.....	Federal Grants/Contracts Fund

Federal Grants/Contracts Fund (8775)

This fund is a Federal fund to account for all federal grants and contracts activity (governed by W.Va. Code §18B-4-4).

**WEST VIRGINIA STATE UNIVERSITY
COLLECTION AND DEPOSIT OF REVENUES
JULY 1, 2008 – JUNE 30, 2009**

REPORTABLE COMPLIANCE AND OTHER MATTERS

Finding 1 Failure to Administratively Withdraw Students for Nonpayment of Tuition and Housing

Condition: For the Spring 2009 semester, WVSU permitted 103 students to attend classes and remain enrolled until May 1, 2009, even though these students made no payments for tuition. May 1, 2009 was one week before the start of semester finals. Tuition is either due in full prior to the student's first day of class, or students can choose to pay by an installment plan. According to the WVSU Spring 2009 Academic Calendar, 60% of the tuition paid by installment plan was due prior to the commencement of classes on January 20, 2009, and the remaining 40% was due on Feb. 27, 2009. The tuition due from these 103 students totaled \$217,484.00.

WVSU officials stated the students were billed for the tuition charges on multiple occasions during the semester. Finally, on May 1, 2009, WVSU deleted these 103 students' enrollment in all classes in WVSU's Banner² computerized software system, which is used by WVSU to track student admissions and registration. In doing so, the records indicated there was no tuition due from the students and they received no grade. The net effect was as if the students had never enrolled in classes during the Spring 2009 semester.

We could not determine if all 103 students were permitted to attend classes and take final examinations after May 1, 2009. WVSU officials stated they did not inform the students their enrollment had been deleted. School officials also said class instructors would have been unaware the students were deleted from registration unless the instructors obtained, by their own volition, a class registration list effective on or after May 1, 2009. Even then, class instructors would have to take notice of those students deleted from the rolls and then inform those students they were no longer enrolled in class. Otherwise, students would have been permitted to continue with their classes and take final examinations.

² *Banner is the computer software used to perform various administrative and academic functions and services at a Higher Education Institution. Banner is a SunGard Higher Education product. Some of the services that can be performed using Banner, include: Payroll/Personnel, Financial Management, Procurement, Student Admissions & Registration, Student Academic History & Transcripts, Student Financial Aid, and Course Catalog & Class Schedules.*

After the conclusion of the semester, 20 of the 103 students were permitted to pay their tuition and receive their semester grades. In order to accomplish this, WVSU reentered the tuition charges on the students' Banner accounts and then applied the payments to the students' account. Although the charges were added back after the end of the semester, the WVSU Registrar's office backdated the Banner "effective" dates of the tuition charges to an earlier date that fell during the Spring 2009 semester.

Fourteen of the 103 students noted above resided on campus in WVSU dormitories. According to WVSU policy, 50% of the room and board charges are due prior to occupancy at the beginning of each semester and the remaining 50% is due by the end of the ninth week of classes (March 24, 2009 for the Spring 2009 semester). Although these 14 students made no payments for room and board, WVSU allowed the students to reside in the dormitories and use meal cards until at least May 1, 2009.

Either housing records did not adequately document the dates of occupancy for residents, or such records were not maintained. Therefore, we were unable to determine the exact date these 14 students vacated the school dormitory. However, we reviewed residency documents that indicated at least two of these students were dormitory residents after May 1, 2009. The total due from the 14 students for room and board for the semester was \$44,065.00

Unlike tuition, the room and board charges were not deleted from school records and the school continued collection efforts after the end of the Spring 2009 semester. Five students eventually paid their room and board charges. As of September 20, 2012, the debt for the other nine students had been turned over to a collection agency.

Criteria:

WVSU Schedule of Fees (Per Semester) 2008-2009, states in part:

"...First payment that is due at registration includes tuition and one-half of room and board...Second payment is due prior to the end of the ninth week of classes. Includes second-half of room and board. ...student's responsibility to remit payments to the Cashier's Office..."

WVSU 2008-2009 Academic Calendar, states in part:

"...Spring 2009:

Fri Jan 16 End of 100% Withdrawal Refund Period

Fri Feb 27 Final 40% of Tuition/Fees Due on Installment Plan

Fri Mar 24 End of Prorated Refund Period for Total Withdrawal:
No Refund After This Date

Fri Apr 3 Last Day to Drop Classes or Withdraw from School..."

WVSU University Catalog 2008-2009, page 68, states in part:

"...Payment of Fees

Students should be prepared to pay all tuition and fees through direct payment, financial aid, or other resources to complete registration or pre-registration unless they opt for the sixty-fourty plan (60% at registration and 40% before the end of six weeks at 1.5% interest per month)...."

Students registered prior to the payment date risk having their schedules dropped if payment arrangements have not been completed by the payment date...."

The WVSU Residence Hall Manual, page 21 states in part:

"...1. Contract Cancellation and Termination

A. The parties agree that this contract may be canceled when written notice is given by the Director of Residence Life and Services under the following conditions:

1. Academic suspension or dismissal;
2. Withdrawal from the Institution
3. Non-attendance at the institution.
4. Disciplinary termination of contract
5. Graduation

D. The resident agrees that the institution may terminate this contract for breach of contract or upon recommendation of the appropriate authorities of the University and take possession of the assigned space within 24-hours after the resident has been notified that the contract has been terminated...."

The WVSU Residence Hall Manual, page 19 states in part:

"...1. Enrolled Status – The resident agrees to become and remain enrolled as a student in good standing at the University for the entire period covered by the contract. Furthermore, resident agrees to notify the Office of Residence Life and Services of any changes in their student status...."

The WVSU Residence Hall Manual, page 26 states in part:

"...Checkout and Closing of Residence Hall

A student is expected to vacate the building within 24-hours of his/her last final examination or when withdrawing from the University. A student (except students participating in

commencement exercises) remaining after this time must have special permission from the Director of Housing...”

WVSU University Catalog 2008-2009, page 77-78 states in part:

“...The refund policy for students withdrawing from **all** classes... ranges from a 90 percent refund for the first and second weeks following the first day of general registration to 70 percent for the third and fourth weeks, to 50 percent of all refundable fees during the fifth and sixth weeks following the first day of general registration. Beginning with the seventh week, there is no refund applicable....”

Cause: Agency personnel stated it was their hope the students would be able to find some type of financial assistance by the end of the semester so they could pay the University and remain in school. Therefore, students were allowed to remain in classes, live in the dorms, and use their meal plans without making a payment to WVSU for the entire semester. Since these students remained registered after the last date school policy allowed students to withdraw from classes or receive any tuition refund, WVSU deleted the students’ enrollment. Consequently, the records indicated no tuition payment was due. Because the students were allowed to live in the dormitories and use their meal plans, the room and board charges remained on the students’ accounts.

Effect: After March 24, 2009, no refund was due those students that paid tuition on or before the due date(s), therefore, the accounts for the 103 students that failed to pay tuition should not have been absolved of the tuition debt. By doing so, WVSU was inconsistent in applying its policy. Students that paid their tuition, in accordance with school policy, were not afforded the same opportunities to avoid tuition payment or avoid the receipt of failing grades that was available to the 103 students who simply failed to pay their tuition in accordance with policy.

There are costs incurred by WVSU in providing a college education for students. Although some costs are fixed, there are additional variable costs that increase incrementally with each additional student that enrolls at WVSU. There are even more incremental costs associated with those students who reside in the dorms and eat meals provided by the school. Failure to collect tuition and room and board in order to offset these costs can have a negative effect on the financial standing of WVSU.

Further, if dormitories are full, there is a risk paying students may be unable to secure dormitory rooms they would otherwise be able to get if non-paying students were prohibited from receiving room and board. In addition, paying students may be unable to enroll in desired classes due to the enrollment of non-paying students if classes reach full capacity.

Finally, it is important to note that this finding is limited to WVSU's failure to adhere to its policy regarding the collection of \$217,484 in tuition and \$44,065.00 in room and board for the Spring 2009 semester. We performed a limited review of the Fall 2008 semester and saw evidence of similar incidents where WVSU failed to follow policy regarding the collection of tuition and room and board.

Recommendation: We recommend WVSU adhere to their documented policies regarding the collection of tuition and room and board. Students who fail to comply with payment deadlines should be dropped from enrollment. We recommend WVSU put procedures in place to ensure that once resident students have withdrawn, or have been dropped from all classes, they immediately vacate the dormitories and no longer receive meals.

Finding 2 Bookstore-Lack of Adequate Internal Controls

Condition: The West Virginia State University Bookstore deposited approximately \$1.48 million in gross revenues during State fiscal year 2009. During our testing of bookstore revenues, we noted multiple internal control deficiencies. There was a lack of segregation of duties of the authorization and custody of asset functions in the bookstore with no internal control strength to offset the lack of segregation of duties. During our audit period, the bookstore manager and bookstore associates simultaneously:

- Performed cash register transactions,
- Performed returns on cash registers,
- Authorized refunds,
- Authorized voided transactions on cash registers,
- Counted the cash register drawers and closed out the cash registers at the end of each day,
- Prepared reconciliations, which are then attached to deposit tickets to support deposits made with the Cashier's Office,
- Made deposits to the Cashier's Office,
- Opened bookstore payments received via mail.

An important internal control policy that can be implemented to enhance cashier security is to require identification for anyone who uses a register or processes a point-of-sale transaction. The audit team observed that there are no access restrictions on the bookstore's point-of-sale system.

We also noted various other Internal Control issues related to bookstore cash receipts and revenues including the following:

Bookstore Cash Refunds Period

We noted a lack of control regarding cash refunds disbursed within the bookstore. Each semester, \$7,500.00 is released from the cashier's office to the bookstore in order to provide monies for processing refunds. The cash refund period encompasses the first 17 days of each regular semester and the first three days of summer school classes. Through testing, we noted numerous cash refunds (during the refund period and outside the refund period) found in the bookstore cash receipts journal were neither listed nor signed for by the customer on the cash refunds log sheet. Further, we noted that no reconciliation was performed between the cash disbursed for refunds recorded on the refund log sheet and the actual cash receipt slips detailing items returned and amounts paid out of the register drawer. To reconcile the cash released by and returned to the cashier's office for refunds, the log sheets were simply totaled and subtracted from the beginning \$7,500.00 balance with no receipts attached to justify actual returns and refunds.

Check-Cashing Services

We noted several instances of cash being disbursed for personal checks in amounts ranging from \$86.00 down to \$1.00. In at least one instance, cash was paid out for the entire amount of a personal check. To account for this in the register system, the Cashier on-duty rang in non-inventoried goods labeled "TEXT BOOKS" and rendered payment via personal check for \$86 and paid the entire amount out, meaning no goods were actually sold but cash was disbursed. Numerous checks were written for an amount greater than the actual sale amount and cash-back was given to the student/customer for the difference. We also noted the imprest fund establishment/change form, which documents how the fund is to be used, made no provisions for the fund to be used for check-cashing services.

Bookstore Inventory

We noted that some items in the West Virginia State University Bookstore inventory were not tagged or marked for inventory inclusion. When these items were sold, they were rung in either as "TEXT BOOKS" or "MISCELLANEOUS" and the sales amount was keyed in by the Cashier. This creates an environment where items and funds could be easily misappropriated. It also could not be determined if sales tax should be charged for items listed as "MISCELLANEOUS."

Criteria:

WV Code §5A-8-9 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...."

WV Code §12-2-2, as amended, states in part:

"(a) All officials and employees of the State authorized by statute to accept moneys due the State of West Virginia shall keep a daily itemized record of moneys received for deposit in the State Treasury and shall deposit within twenty-four hours with the State Treasurer all moneys received or collected by them for or on behalf of the state for any purpose whatsoever...."

WV Legislative Rule Title 112, Series 3 states in part:

"...3.1. Any state agency that desires an imprest fund shall apply to the Treasurer for the establishment of the imprest fund. The application shall be made on forms prescribed by the

Treasurer's office. The agency shall include on the forms the name of the state agency, the name and **purpose of the imprest fund**, the physical location of the imprest fund and the name of the person responsible for the imprest fund...

3.2 Any state college or university may apply to the Treasurer for the establishment of an imprest fund **for the purpose of providing check-cashing services** at that institution. If the Treasurer grants the request for an imprest fund, the state college or university may charge fees for the service for each check cashed and for each check returned for insufficient funds. Each institution shall designate certain employees to provide the service and have charge of the imprest fund.

3.4 The agency shall deposit the fees received for check-cashing or automated teller machine (ATM) services into the imprest fund established by the agency for that service. The agency shall maintain an itemized account of the receipts generated from all fees..." **(Emphasis Added)**

Cause:

The bookstore manager stated that bookstore employees perform all of these various functions because the register system does not require login ID's for the separate cashiers and, at times, the bookstore is very busy. As a result, bookstore staff operate different registers and full-time staff perform various duties daily.

The bookstore manager stated he was aware of the check cashing service being provided at the bookstore. He stated that it was done to assist students in getting all the money they were supposed to receive, if for instance, a family member gave the student a check pre-written for a certain amount for books, but the student did not require the full amount when purchasing textbooks. He stated he would "hold" the amount of cash due to the student in the bookstore's safe until the check had cleared the bank. Once the check cleared, he would disburse the cash to the student when the student returned to the bookstore to pick it up.

The bookstore manager stated the cash refund log was the only documentation maintained for cash refunds issued in the bookstore. He stated that every return and all cash refunds should be accounted for through a receipt in the POS register system. He also stated that he had changed the entire process and is now requiring more information on the log sheets and is attaching all return receipts from the register system to the forms before submitting them to the cashier's office.

Effect:

Strong internal controls for cash collection are necessary to prevent mishandling of funds and are designed to safeguard and protect employees from inappropriate charges of mishandling funds by defining their responsibilities in the cash handling process. Segregation of duties is one of the key concepts of

internal control. The lack of segregation of the authorization and custody of asset functions or proper offsetting strengths substantially increases the risk that fraud, including management override, may be committed and not be detected by management. An employee with multiple functional roles has the opportunity to abuse their power. The possibility exists the aforementioned employees could carry out and conceal errors and/or irregularities in the course of performing their day-to-day activities. Fraud could be perpetrated by the employee faking a void or return transaction and taking the respective monies from the cash register [when closing out the cash register] for personal use. The risk of fraud occurring and remaining undetected is greatly increased because the individuals counting the cash drawers and closing cash registers are the aforementioned employees that lack proper segregated duties.

If cash refund disbursements are not properly reconciled using printed return receipts and the cash refunds log, the possibility of misappropriation exists where an employee could alter or add digits to the hand-written log sheet after a student had already signed for a lesser amount. Entire rows on the refund log sheet could also be fictitious as there was no system in place to verify the accuracy of refunds recorded on the log.

As stated above, the bookstore accepted checks from customers for amounts exceeding the purchase price and returned cash to the customer for change. In one instance the bookstore returned cash for the entire amount of a check. By returning cash for checks, the bookstore could incur losses if a bank returns a check to the bookstore due to nonsufficient funds. Also, the bookstore is not operating their imprest fund properly since the fund is registered with the STO as a "change fund."

Recommendation: We recommend the WVSU comply with WV Code §12-2-2, as amended, and Legislative Rule Title 112 Series 3. We further recommend WVSU strengthen internal controls over the bookstore by segregating the authorization and custody of asset functions. Specifically, employees with the ability to authorize returns and void transactions should not have the ability to both operate and close out cash registers. Cashiers should log into separate registers and count their own drawers when closing out the registers at the end of each shift or business day. The counts should be verified by employees with the authorization functions, and the approval should be appropriately documented.

An important internal control policy that can be implemented to enhance cashier security is to require identification for anyone who uses a register or processes a point-of-sale transaction. This identification can take the form of an ID card that the cashier swipes to access the system or a personal identification number that the cashier must input to log in. This creates a record of each transaction—including which cashier was involved—for future reference. It also prevents other members of a retail sales staff from sharing devices without identifying themselves, which can make it difficult to assign blame for errors.

For cash refunds, we recommend the West Virginia State University Bookstore support all transactions recorded on the cash refund log sheet with related supporting documentation from the electronic POS system to justify the total amount disbursed and total amount to be returned to the Cashier's Office for re-deposit. We recommend the bookstore cease disbursing cash for checks or amend the purpose for the bookstore imprest fund to include check-cashing services.

Finding 3**Bookstore-Failure to Collect and Remit Sales Tax**

Condition:

Certain items sold by the West Virginia State University Bookstore, such as textbooks and other course materials, are not subject to State sales tax. However, we noted the bookstore failed to collect and remit to the State Tax Department sales tax on certain items subject to such tax. The items noted in our test sample include the following:

Transaction Date	Computers	Video Game Systems	Other Electronics*	Total Amount of Items	Amount of Tax Not Remitted
01/20/2009	\$ 2,596.00	\$ 919.18	\$ 79.99	\$ 3,595.17	\$215.71
08/26/2008	2,796.00	0.00	0.00	2,796.00	167.76
01/21/2009	599.00	519.19	349.98	1,468.17	88.09
01/09/2009	1,698.98	0.00	0.00	1,698.98	101.94
01/13/2009	1,997.99	0.00	199.95	2,197.94	131.88
01/13/2009	1,747.99	1,438.37	399.90	3,586.26	215.18
08/14/2008	<u>799.00</u>	<u>0.00</u>	<u>0.00</u>	<u>799.00</u>	<u>47.94</u>
TOTALS	<u>\$12,234.96</u>	<u>\$2,876.74</u>	<u>\$1,029.82</u>	<u>\$16,141.52</u>	<u>\$968.50</u>

* Other electronics includes printers, cameras, Microsoft Office software, and a hard drive.

We statistically projected the results of our test sample to all bookstore revenues deposited for fiscal year 2009. Based on this projection, we estimated the bookstore failed to collect and remit to the State Tax Department between 12,000.00 and \$12,400.00 in sales tax on taxable items for fiscal year 2009.³

Criteria:

WV State Tax Department Publication TSD-300, states in part:

“...Sales of textbooks required to be used in any of the schools of the State, whether the books are sold directly to schools or students are exempt from tax. This exemption includes written course materials as well as audio and video materials so long as they are a required text of the school. **This exemption does not apply to books or materials that are not textbooks, pens, pencils, paper or other school supplies....**”

Cause:

The bookstore manager agreed that the items were classified improperly when first entered into the inventory system. Certain laptop computers, video game systems, and other electronic items were entered into the system as non-taxable items. When these items were purchased, the inventory system automatically recognized these items as non-taxable. The bookstore manager agreed sales tax should have been assessed for these items.

³ We used RatStat statistical sampling software to calculate our projection. We used a confidence level of 95%. Total deposits for bookstore revenues for fiscal year 2009 totaled \$1,481,572 and our sample consisted of \$117,488 (8%) of these deposits. We were unable to obtain pre-tax revenues due to the differing sales tax rates and therefore used after-tax revenues for the projection, which resulted in a slightly more conservative estimate. The amount of sales that would not have had tax assessed was estimated to be between \$200,753 and \$206,361. We multiplied these amounts by 6% sales tax to calculate the amount of tax not assessed.

Effect: The WVSU Bookstore is not submitting the total amount of monies due to the State Tax Department by not collecting sales tax. By failing to collect and remit monies due, the State is losing tax and potential interest revenues.

Recommendation: We recommend WVSU comply with WV State Tax Department Publication TSD-300 and ensure the bookstore collects and remits sales tax to the State Tax Department on all bookstore items sold subject to sales tax. We also recommend WVSU determine the amount of unassessed sales tax on taxable items in each year the items were classified improperly and remit this amount to the State Tax Department.

Finding 4

Bookstore - Accounts Receivables

Condition: During the test of West Virginia State University Bookstore revenues, we noted the bookstore violated the WVSU Board of Governor's policy by extending credit to individuals. With a few explicit exceptions, WVSU Board of Governor's policy prohibits the extension of bookstore credit to individuals. Nevertheless, the bookstore extended credit to WVSU's Vice Presidents, athletic coaches, faculty, bookstore staff and other individuals during our audit period.

The bookstore's "Sellmate" Point of Sale (POS) system was not capable of compiling and printing a list of all accounts receivables and balances on a single report. Accounts recorded in "Sellmate" can be printed or viewed on an individual basis. At the end of each fiscal year, a bookstore employee reviews "Sellmate" for those customers that have accounts receivable balances as of the end of the fiscal year (June 30) and enters those with balances into an Excel spreadsheet. This process, however, is both time-consuming and susceptible to human error.

According to the spreadsheet prepared by the bookstore at the end of fiscal year 2009, seventeen creditors had outstanding balances totaling \$30,636.⁴ Most of the creditors listed were other WVSU Departments, other State and Federal agencies, or other business entities. However, individuals held six accounts, with combined receivables of \$1,842. We believe issuing credit to individuals violates the Board of Governor's policy on extending bookstore credit.

The information obtained from the bookstore's fiscal year-end accounts receivable record only included those creditors that owed the bookstore as of the end of fiscal year 2009 (June 30, 2009). It did not include former creditors that had credit during the year, but paid their balance before the end of the fiscal year. Due to limitations in the bookstore's computer software, we could not obtain a listing or report of those individuals and entities that received credit during the fiscal year, but had no balance as of the end of the fiscal year.

In addition, we noted at least one instance where a bookstore student-worker was permitted to purchase textbooks through an accounts receivable account rather than using the financial aid on the student's identification card. Bookstore staff had accounts receivable credit limits set at \$25 by the bookstore manager, which should have prevented the sale of textbooks.

Criteria: WVSU Board of Governor's Policy #20 section 2.1 states:

"2.1 No financial credit of any type shall be extended to any individual, either student or other, at West Virginia State. The

⁴ There was a general lack of internal control over the bookstore sales and recording of sales noted during our audit (See Finding: Deficient Internal Controls for WVSU Bookstore). Due to this lack of internal control, we offer no assurance as to the accuracy of the reported accounts receivables obtained from agency records.

University shall operate on a strictly cash basis with all payments and obligations being collected prior to the start of classes except as provided in this policy. Fees include Educational and General Capital Fees, Tuition and required Educational and General Fees, Auxiliary and Auxiliary Capital Fees, laboratory and other course related fees;

2.1.1 Exceptions may be granted where a bona fide third-party agency has provided authorization in writing that payment will be made for the student;

2.1.2 Exceptions may be granted for late financial aid disbursements for situations at no fault of the student;

2.1.3 A deferred payment plan is provided as specified in Section 7." **(Emphasis Added)**

Cause: The accounts receivable function was in place to allow certain internal and external organizations to purchase books in bulk, and then be invoiced later for the cost. In addition to these organizations, the bookstore's records indicated the bookstore extended credit to bookstore employees, as well as other individuals. The bookstore manager stated no other individual employees should have an account unless it was an account used on behalf of their WVSU Department. However, there was no indication in the bookstore's records that those individuals listed as creditors held their accounts on behalf of any department, agency or business.

Effect: By extending credit to WVSU employees, student workers or other individuals, the bookstore is at an increased risk of not collecting all outstanding balances. Credit limits are established at the discretion of the bookstore manager, and there are no written or stated terms for payments on accounts by employees. Finally, due to limitations in the bookstore's point-of-sale accounting system, it is difficult to track and determine the extent of the receivables. Therefore, with the exception of fiscal year-end, it is difficult for the bookstore, WVSU and auditors to determine how much cash is tied up in accounts receivables (and thus not available to WVSU) and how long cash has not been available.

Recommendation: We recommend WVSU comply with their Board of Governor's Policy #20 and cease issuing credit accounts to WVSU faculty, staff and other individuals. We further recommend that, in order to improve the management of any receivables extended in compliance with the Board of Governor's policy, systems be put in place that will allow the bookstore staff to readily compile accounts receivable reports. Such reports should be reviewed no less than once a month and collection procedures should be developed and implemented on accounts that remain unpaid for excessive periods.

Finding 5**Lack of Controls and Documentation over Athletic Event Ticket Sales**

Condition: WVSU's Assistant Athletic Director's Administrative Secretary, and a student helper sold tickets for sporting events. Money collected was tallied and a sheet was completed summarizing the number of tickets sold at the \$2.00 discounted price and the number of tickets sold at the \$5.00 general admission price. While reviewing the procedures over ticket sales, we noted the following:

- There was a lack of segregation of duties combined with a lack of management oversight over ticket sales. The Assistant Athletic Director's Administrative Secretary was in charge of selling and collecting monies for tickets and completing the reconciliation form. The Athletic Director did sign the reconciliation form, but only to verify that the deposit total matched the amount of cash associated with the recap sheet.
- No reconciliation of tickets disbursed to ticket monies deposited was performed. Although tickets used by the Athletic Department were pre-numbered, there was no monitoring of tickets sold (i.e. employees did not track the starting and ending numbers of the tickets disbursed during athletic events).
- Ticket stubs were thrown out and not used to prepare the summary; rather the total money collected was divided by the respective ticket prices and the result was entered onto the summary as an estimation of the number of tickets sold. The portion monies derived from discounted \$2 ticket sales was estimated from memory and then the estimated amount was divided by two to arrive at the number of tickets sold at that price. The remaining portion of monies was simply divided by five to arrive at the number of general admission tickets sold at \$5.

Criterion: WV Code §5A-8-9 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: WVSU has not implemented adequate internal controls to safeguard monies collected from the sale of tickets for WVSU athletic events.

Effect: While this process as described above is referred to by personnel completing it as a “reconciliation” of revenues to tickets sold, it does not ensure a clear, accurate representation of actual tickets sold nor amounts due the State for the patrons in attendance. Without monitoring or recording individually numbered ticket stubs, or implementing some other system that records the number of

paying customers, it cannot be determined if the fees collected were recorded and deposited. The current process fosters an environment where revenues may be lost or stolen with little chance of discovery. Because of inadequate documentation, lack of segregation of duties, and lack of management oversight of the tickets sold for WVSU sporting events, we were unable to determine if all monies due the State were collected and deposited as required. According to WVSU deposit records, there were \$57,298.85 deposited during fiscal year 2009 for athletic event income, which included deposits for athletic game ticket sales, field rentals and tournament fees.

Recommendation: We recommend the WVSU's Athletics Department comply with WV Code §5A-8-9 and establish controls to mitigate the risk ticket revenues may be lost or stolen.

Finding 6 Improper Commissions from Food Service Contractor

Condition: WVSU has a contract with AVI Foodsystems (AVI) whereby AVI sells food at WVSU's main campus in exchange for payment of commissions for pre-paid meal plan sales made from AVI retail venues. WVSU has two types of pre-paid meal plans for students: *Meal Plan Flex Dollars* for residential students and *Yellow Jacket Dining Dollars* for commuter students. For each of these plans the students are issued cards that can be used to purchase food from AVI and, comparable to bank debit cards, their pre-paid accounts are debited for each purchase made.

According to the contract, the vendor agreed to pay 5% commission on purchases made by the *Meal Plan Flex Dollars* plan and 12% commission on purchases made by the *Yellow Jacket Dining Dollars* plan. However, we noted the vendor calculated commissions at a 5% rate on both meal plan sales. We were unable to determine the total underpayments of commission for *Yellow Jacket Dining Dollar* commissions due to meal plan sales being stated collectively in documents we reviewed supporting AVI commission payments to WVSU.

After we informed WVSU of the underpayments, WVSU inquired to AVI about the underpayments of commissions for *Yellow Jacket Dining Dollar* sales. Subsequently, a WVSU representative informed us AVI agreed to pay commissions totaling \$12,089.23 for the *Yellow Jacket Dining Dollar* sales to correct the underpayments made from 2005 through 2011⁵.

Criteria: The contract between WVSU and AVI Foodsystems states, in part:

“...Meal Plan Flex Dollars

- The Contractor will pay commissions equal to 5% on all Meal Plan Flex Dollar sales from the Retail venues only...

Yellow Jacket Dollar Meal Plans

- Yellow Jacket Dollar Plans may be purchased with a minimum opening balance of \$150
- The Contractor will pay commissions equal to 12% on all Yellow Jacket Dollar sales....”
-

Cause: WVSU did not monitor the terms of the contract in relation to the commission payments received. As a result, WVSU was unaware of the commission underpayments.

⁵ WVSU was unable to provide us supporting documentation that the \$12,089.23 settlement for commission underpayments were received by WVSU and deposited into WVSU accounts.

Effect: Commissions were underpaid from the date WVSU entered into a contractual agreement with AVI in 2005 through the date we discovered the underpayments in 2011.

Recommendation: We recommend WVSU monitor AVI commission payments and ensure they are in accordance with the terms of the contract.

Finding 7 Parking – Internal Controls and Documentation for Revenues

Condition: We noted the following documentation and internal control deficiencies over parking revenues for our audit period of fiscal year 2009:

1) Lack of Supporting Documentation

We requested copies of parking tickets issued, receipts for refunds, withdrawals, and amounts paid for the list of student accounts selected for our audit period; however, we were informed the information was not obtainable. Therefore, we were unable to test revenues for parking fines totaling \$34,668.00 for fiscal year 2009 due to a lack of supporting documentation.

2) Unauthorized Summer Student Parking Fees

According to WVSU Policies, the WVSU Board of Governors (BOG) and the WV Higher Education Policy Commission (HEPC) must approve all fees prior to their assessment and collection. However, we noted WVSU collected approximately \$4,785.00 in unauthorized summer parking fees from 191 students during the summer semester of fiscal year 2009.

3) Unauthorized Summer Program Staff Parking Fees

During fiscal year 2009, WVSU charged summer program staff parking fees unauthorized by the BOG and the HEPC. WVSU collected \$160.00 in these parking fees from eight staff members.

Criteria: WV Code §5A-8-9 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....”

WV Code §18B-10-1, as amended, states in part:

“(a) **Each governing board shall fix tuition and other fees** for each academic term for the different classes or categories of students enrolling at the state institution of higher education under its jurisdiction...” **(Emphasis Added)**

WVSU Board of Governors Policy 20, Section 3, states in part:

“(3.7) All fees charged to students, both regular and special, will have been approved by the West Virginia State University Board of Governors and the Higher Education Policy Commission prior to assessment and collection...” (Emphasis Added)

Cause: Important source documents critical to the audit process were not maintained by the agency in a manner suitable for practical retrieval. Additionally, WVSU did not seek the BOG and HEPC approval of summer parking fees assessed to students and staff.

Effect: To obtain adequate internal controls over revenue collections, it is necessary to maintain complete and accessible records. Records are an important internal control tool that can be reviewed by an organization’s management and external auditors to provide assurance that those revenues that should have been collected were collected and deposited to the credit of the institution. Because of a lack of accessible records critical to the audit process combined with a lack of internal controls over parking revenues, we were unable to perform audit procedures to offer assurance that parking fees were properly collected and deposited with the cashier’s office.

Failing to follow the management fee approval process increases the risk that fee charges may be illegal, inequitable, unfair, unreasonable, or inadequate. In addition, unapproved fees may indicate that monies are being collected without the knowledge of management, which may lead to an increased risk of fraud.

Recommendation: We recommend that WVSU comply with WV Code §5A-8-9. We recommend WVSU develop and implement internal controls that ensure adequate records are maintained for WVSU’s Department of Public Safety. We also recommend WVSU comply with WV Code §18B-10-1, as amended, and the WVSU Board of Governors Policy No. 20 and have all parking fees approved by the WVSU Board of Governors and the Higher Education Policy Commission, or cease collecting unapproved fees.

Finding 8

Parking - Assessment of Parking Fees

Condition: We reviewed all 5,722 student accounts for parking charges and refunds for the Fall 2008 semester and noted the following:

- 1) Ten students were charged twice for a full year parking permit resulting in a combined \$600.00 in overcharges. One student was issued a refund by check over three years after the initial parking fee was assessed. We reviewed the student accounts for the other nine students and saw no evidence these students received a refund for the parking overcharges.
- 2) Parking permit charges were removed from the accounts of four students who did not want parking permits. However, when these students withdrew from WVSU these parking charges were erroneously removed again. As a result, these students' accounts are understated by a combined \$240. No refunds were issued to these students because all four had account balances due to WVSU.

When a student enrolls at WVSU, a full year parking permit of \$60.00 is automatically added to the student's account; however, many students do not need or want a parking permit. During the Fall 2008 semester, a total of 5,132 students were charged a \$60.00 fee for a parking permit, but 1,594 of these students, or 31%, required some form of adjustment to be made to their account in Banner—many of these adjustments resulted in the removal of the parking charge. WVSU students received a net total of \$69,720.00 in parking refunds⁶ for the Fall-2008 semester. Adjustments were made for the following reasons:

- The student did not want a parking permit; therefore a \$60.00 adjustment to cancel out the charge was made to the student's account.
- The student only wanted a one semester parking permit for \$30; therefore, the student's account was either reduced \$30, or reduced \$60 with an additional transaction added for \$30.
- The student did not need a full year parking pass because a family member also attended WVSU; therefore, a \$60.00 adjustment was made to the student's account, and a fee of \$15.00 or \$9.00 was added for a second vehicle parking permit.

Criterion: The WVSU 2008-2009 Tuition and Fees Schedule, states in part:

“...Parking – Full Year\$60.00...”

Cause: The ten students overcharged for parking paid prior to actually registering for classes. When the students subsequently registered for classes, WVSU's Banner

⁶ Solely includes instances when the student's account was adjusted to remove the parking charge and lower the balance due to the University. No actual cash or check was issued to the student.

computerized software program automatically assessed parking charges. No automated or manual review of the students' accounts was performed to determine if parking had been previously paid; therefore, WVSU was unaware of the previous parking payments and, as a result, the students paid twice.

When a student enrolls for the year, WVSU automatically adds a full year parking permit fee of \$60.00 to the student's account. If a student does not want or need a parking permit, the student must request the fee be removed. The understated outstanding balances for the four students were the result of WVSU processing duplicate parking refunds for each student—one prior to the students' withdrawal and another when the students withdrew.

Effect: By automatically assessing parking fees, it is necessary for WVSU to make a high volume of adjustments to student accounts for those students who do not want a parking permit. This increases the risk of posting errors that could lead to overcharges to students or undercharges of monies due WVSU. We noted ten students were overcharged \$600, only one of which was subsequently reimbursed; and parking charges were erroneously removed from the accounts of four students resulting in these accounts being understated by \$240.

Recommendation: We recommend WVSU verify that parking fees are due the students when they withdraw, and that parking fees are due WVSU when students register by researching student accounts prior to processing refunds and payments. Further, we recommend WVSU consider establishing new policies and procedures for assessing parking fees including better controls and specific descriptions of any refunds or changes on students' accounts. We recommend WVSU refund the nine students who overpaid and were not previously reimbursed for parking. We also recommend WVSU adjust the accounts of the four students who were undercharged for parking to reflect the proper amounts due and avert any potential lost revenue.

Finding 9 **Missing Monies from Library Change Machine**

Condition: WVSU maintained a change machine in the WVSU library so students and others could readily access change for use in coin-operated copiers. WVSU had a West Virginia State Treasurer’s Office (STO) approved imprest (cash) fund for \$1,000.00 that was used to stock the change held in the machine. During our cash count conducted on April 16, 2010, we noted the machine only contained \$806.60 resulting in a shortage of \$193.40.

Criteria: Management is responsible for establishing and maintaining effective internal controls. A fundamental concept of internal controls is adequate physical safeguards over cash. WV Code §5A-8-9 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: A WVSU library employee stated the machine often failed to give the correct change. The employee speculated that small but frequent errors in providing correct change could have accounted for the entire shortage in the fund since the fund balance had not been verified for approximately ten years.

We noted that WVSU’s procedure at that time would have allowed one WVSU employee to obtain the key for the change machine from the WVSU Library safe and access cash from the machine under the guise of replenishing the available change. As a result, the employee would have ample opportunity to misappropriate fund monies without the knowledge of any other employee and, since the cash fund balance was never verified, incur little risk of subsequent discovery.

Effect: The lack of adequate oversight over cash, as was the case over the monies held in the library change fund, increases the risk that monies may be lost or stolen and, once lost or stolen, that management may remain unaware of the lost or stolen monies for an excessive length of time. Although we could not determine why the cash fund was short \$193.40, the failure of the WVSU to verify the fund balance allowed the shortage to remain undetected. We were told by a WVSU library employee that neither WVSU nor the STO auditors had conducted counts of monies held in the change machine for approximately ten years.⁷ If accurate,

⁷ We reviewed the State Treasurer’s Office (STO) “Imprest Fund Audit Forms” for the annual STO audits of the library change fund. We reviewed the forms for the five annual audits conducted each year from 2006 through 2010 and no shortages were noted for any of these audits. The STO’s 2010 audit of the imprest fund was conducted on February 10, 2010— 65 days before we audited the fund and discovered the shortage. On March 3, 2011, approximately ten and one-half months after our audit, the STO again audited the library change fund and noted a shortage on \$194.80, which exceeded our documented shortage by \$1.40. In addition to STO employee signatures, each STO audit form was signed by a WVSU representative “...certifying the information...” presented on the form was correct to the best of the signer’s knowledge.

all or part of the \$193.40 may have been lost or stolen for up to ten years further reducing the possibility that a determination could be made as to who or what was responsible for the shortage.

Recommendation: We recommend WVSU comply with WV Code §5A-8-9 and ensure that adequate internal controls, which include routine counts of all cash funds, are implemented to protect WVSU's assets.

Finding 10

Unapproved Imprest (Cash) Funds

Condition: The West Virginia State Treasurer's Office (STO) requires all imprest or change funds maintained by State agencies be registered with and approved by the STO. However, while performing a cash count on April 16, 2010, we determined there were four cash collection points at WVSU where imprest funds were maintained without permission of the STO. These four funds are described as follows:

- The Director of the University Union and Student Activities maintained an unapproved change fund that had a balance of \$64.35 as of the date of our cash count.
- The WVSU Bookstore maintained an unapproved change fund totaling \$625.00; \$125.00 of this amount was used as starting cash for the cash registers and the remaining \$500.00 was stored in a locked safe in the bookstore.
- The Cashier's Office maintained an unapproved change fund totaling \$5,500.00.
- We noted an unapproved change fund totaling \$204.19 was maintained at the WVSU Capitol Center.

Criteria: The WVSTO is responsible for establishing imprest funds for agencies. WV Code §12-2-2(d), as amended, states in part:

"The State Treasurer may establish an imprest fund or funds in the office of any state spending unit upon receipt of a proper application...." (Emphasis Added)

Further, we believe the establishment of unauthorized imprest funds results in noncompliance with Legislative Rule Title 112, Series 3 (Establishment of Imprest Funds), as amended, which states in part:

"...3.1. Any state agency requiring the establishment of an imprest fund shall make application to the Treasurer on the forms prescribed by him or her....Upon being satisfied that the application is complete and that the need for the imprest fund is valid, the Treasurer shall notify the agency of the approval for establishment of the imprest fund...." (Emphasis Added)

Cause: According to the Director of the University Union, the monies for the change fund were derived from cash receipts withheld from deposit and the fund was established in order to have monies available to make change for students as necessary.

According to a bookstore assistant, the cash fund maintained in the bookstore was needed for regular business operations. She believed the money used to establish the fund was brought over from the WVSU Cashier's Office years ago.

According to the supervisor of the Student Loan Office, the money in the WVSU Cashier's Office was maintained for regular business operations, including cashing financial aid checks for students. She believes the fund was started from monies derived from the old Higher Education Resource Fee (HERF), which is now called the College Operation Fee.

According to the Building Trades Worker at the Capitol Center, the change fund was used for ticket sales and to occasionally purchase needed items for the Capitol Center. The monies for the change fund were possibly derived from cash receipts withheld from deposit.

Effect: The oversight of change funds provided by the STO is circumvented when funds are established without the knowledge and approval of the STO. As a result, monies are more susceptible to theft and misuse.

Recommendation: We recommend WVSU comply with WV Code §12-2-2, as amended, and Legislative Rule Title 112, Series 3 by submitting applications for all imprest funds to the West Virginia State Treasurer's Office.

Finding 11 Lack of Adequate Oversight over Faculty/Staff Housing

Condition: While testing the controls and transactions of WVSU faculty/staff housing, we noted the following deficiencies for our audit period of fiscal year 2009:

- 1) Lack of valid housing agreements
WVSU did not require faculty/staff housing residents to sign renewal rental agreements after the expiration of initial rental agreements. We noted that nine (64%) of the 14 residents living in WVSU faculty/staff housing did not have a valid rental agreement for fiscal year 2009. A total of \$54,588.00 in rent fees was collected during the fiscal year without a valid housing contract.

- 2) Rental fee not properly assessed
We noted one instance (7%), out of 14 faculty/staff home rental fees tested, where a resident moved to a different faculty home and the corresponding rent of \$575.00 for the new residence was not charged. The resident continued to pay the \$495.00 rate for the previous faculty home. In addition, the resident was not required to sign a new contract. The difference in monthly rent was \$80.00, resulting in an underpayment of \$960.00 during the fiscal year.

- 3) WVSU internal policy not followed
WVSU internal policies state that residents of the WVSU faculty/staff housing are limited to occupancy of three years. As of the end of our audit period, we noted nine, or 64%, of the 14 residents lived in WVSU faculty/staff housing for periods longer than three years.

- 4) Garage Rental
During our testing, we noted that in addition to the houses, WVSU also rented out a garage to a faculty/staff member. The \$25 monthly fee charged to the user for renting the garage was not authorized to be collected by the WVSU Board of Governors, resulting in a total of \$300.00 in unauthorized collections. In addition, the user of the garage did not have a valid rental agreement for fiscal year 2009 with WVSU.

Criteria: The standard Faculty Staff Housing contract states in part:

"...to be used by Lessee and family as a lawful private dwelling during the term of twelve (12) not to exceed (36) month (s)..."

WV Code §5A-8-9 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....”

WV Code §18B-10-13, as amended, states in part:

“The appropriate governing board of each state institution of higher education shall fix the fees to be charged students and faculty members for rooms, board and meals at the dormitories, faculty homes, dining halls and cafeterias operated by such board at the institution. Such fees shall be commensurate with the complete cost of such services....”
(Emphasis Added)

The WVSU 2005 Staff Handbook, page 42, states in part:

“...A limited number of faculty and staff homes are available to university personnel. Guidelines governing their assignment are available in the office of the Vice President for Administration or the Director of Fiscal Affairs. The primary purpose of the housing, however, is for new faculty attempting to get “started” in our community. **Generally, occupancy is limited to a maximum of three years....”** (Emphasis Added)

Cause: According to the WVSU Director of Fiscal Affairs, past practice has been to issue contracts only when the rates have changed. He added that, although WVSU did not issue new contracts, they ensured the correct amounts were charged. Lastly, the WVSU Director of Fiscal Affairs stated the garage rental fee had never been included in the faculty/staff housing fee schedule.

Effect: Allowing an employee to occupy a home without a valid contract increases the risk WVSU would be considered liable for the full costs of any damages caused by the resident, as well as any outstanding rent the resident might have incurred while occupying the home.

By not requiring the resident to sign a new housing contract when moving, the proper rent was not deducted from the resident’s payroll, resulting in a \$960.00 underpayment due to WVSU.

By allowing faculty/staff residents to occupy the houses for more than three years, WVSU is not using the houses for their intended purpose of attracting new faculty/staff members to WVSU. With the houses being occupied with

long-term residents, WVSU cannot provide prospective faculty/staff members the service of getting “started” in the community.

Since WVSU did not seek BOG approval for garage rental rates, WVSU collected \$300.00 in unauthorized rental fees for a garage during FY 2009.

Recommendation: We recommend WVSU comply with WV Code §5A-8-9 and begin issuing new contracts on a yearly basis. We recommend WVSU comply with WV Code §18B-10-13, as amended, and have all faculty/staff housing fees approved by the WVSU Board of Governors, or cease collecting the fees. We also recommend WVSU comply with all internal policies regarding faculty/staff housing, or prepare and establish new policies and procedures for the University to follow.

Finding 12 Student Housing – Collection of Student Housing Deposits

Condition: During fiscal year 2009, WVSU policies required students to remit breakage deposits of \$100.00 or \$150.00⁸ for all new dormitory residents prior to room occupancy. Returning students are required to have \$100.00 on deposit before re-occupying dormitory space.

We reviewed 369 resident students to determine if outstanding balances existed for breakage deposits and noted 44 students did not pay either some or all of the required breakage deposits. Yet, WVSU permitted these students to live in the dormitories. Unremitted breakage deposits totaled \$4,390.00.

Criteria: The WVSU 2008-2009 Tuition and Fees Schedule states, in part:

“...A returnable Room Breakage Deposit of \$100.00 is required of all new students upon admission to a residence hall at West Virginia State University...”

“...The Residence Hall Breakage Deposit **must be paid in full by new students, and returning students must have \$100.00 on deposit at registration...**” (Emphasis Added)

The WVSU Office of Residence Life’s student housing contract states, in part:

“...The Room and Board Contract with the designated advance room deposit and breakage fee, in the form of a check or money order (DO NOT SEND CASH), payable to West Virginia State University, is to be returned no later than the dates shown below:

August 1 for Fall – December 15 for Spring – May 15 for Summer...”

Cause: The Assistant Vice President for Enrollment Management and Student Affairs stated that due to some students' financial hardships and inability to pay the breakage deposit up front out of pocket, WVSU allowed students to move into the dormitories with the presumption the deposits would be covered by financial aid funds once they became available. However, some students did not receive their awards because they did not meet all of the necessary financial aid requirements. As a result, these students would have been left with a balance on their Banner account for the deposit amount.

Effect: The purpose of breakage deposits is to assure that students do not damage dormitories and, if damages do occur, WVSU will have monies readily available from the breakage deposits to offset the cost of some or all of the damage.

⁸ Residents of Prillerman Hall are required to remit a \$150.00 breakage deposit while other residents are required to remit breakage deposits of \$100.00.

WVSU risks incurring full costs of any dormitory damages caused by students who fail to remit breakage deposits.

Recommendation: We recommend WVSU and the WVSU Office of Residence Life follow their policies, procedures, and contract terms by enforcing payment policies listed on the West Virginia State University tuition & fee schedules and student housing contracts.

Finding 13 Student Housing – Assessment of New Housing Resident Fees

Condition: Prior to the Fall 2008 semester, WVSU implemented a *new housing resident fee* of \$50.00 and a *new board enrollee fee* of \$50.00. Students paying for room and board for the first time (new residents) were subject to these fees while those students who paid and received room and board for previous semesters were exempt. During our test of student housing, we noted six new resident students were not assessed the new resident and new board fees totaling \$600.00.

The WVSU Office of Computer Services developed a computer program designed to prompt WVSU’s Banner Higher Education computer software program to assess the housing resident and board enrollee fees to 2008-09 new resident students’ accounts. However, due to a programming glitch, those new resident students that submitted their 2008-2009 housing application packets with their deposit payments by the due dates were not assessed the new fees. Further, WVSU did not subsequently bill these students for the fees.

We could not project the results of our test to estimate the total of uncollected fees for the semester because we were unable to determine the number of new resident students. However, a substantial majority of new resident students did not submit their application packets with deposit payments prior to due dates and prior to moving into the dormitories. These new resident students that paid after the due dates were properly assessed the fee as the programming successfully did prompt Banner to add the new housing resident and board fee charges to their accounts.

Criterion: The WVSU 2008-2009 Tuition and Fees Schedule states, in part:

 “...New Resident Fee..... \$100.00...”

Cause: The Cashier’s Office manager stated she was unaware the program was functioning improperly. The cashier added that the program must have been functioning in error for so many students not to be charged the new resident fees. Student accounts were not manually reviewed to ensure that these fees were assessed properly.

Effect: The programming glitch created a situation where numerous new resident students were not charged new resident fees resulting in revenue losses for WVSU. This also created an inequitable condition whereas some new resident students were charged \$100 more than other new resident students were charged—even though the services received were identical.

Recommendation: We recommend the WVSU Office of Computer Services correct the programming error so new residents are charged the proper fees in compliance with the WVSU fee schedules.

Finding 14 Student Housing – Discrepancies in Documented Policies

Condition: WVSU’s Office of Residence Life had a printed policy manual (Residence Hall Manual) for students and staff to reference when questioning fees, fines, payments, refunds, etc. We found this policy manual to be inconsistent between the different subsections of the manual itself, as well as with the student housing contract terms stated on the back of the Student Housing Contract. Therefore, we could not determine which policies were correct for our audit of Residence Life. Some discrepancies we found within the manual, and between the manual and the housing contracts, include, but are not limited to, the following:

- Stated under the mutual obligations subsection on page 22 of the Residence Hall Manual “...students are given one year to request a refund in writing after their contract was terminated...”, which does not parallel the housing contract which states “...students must make refund requests within two years after graduation or contract termination....”
- The manual states “...no part of the room fee is refundable during the semester...” on page 22, but the student housing contract states that “...no refunds will be granted for disciplinary cancellations of the contract, cancellations without notice, and/or during the last two weeks of the semester....” Unlike the policy manual, the contract implies the student, with proper notice, may receive a refund at anytime during the semester with the exclusion of the last two weeks.
- The student housing contract states that “...no refunds will be made if a student does not make request for refund of the advanced room deposit/breakage fee by August 1 for Fall, or by January 1 for Spring, or by May 15 for Summer, if the student decides not to attend the University for any reason. If the refund is not requested by these dates the advanced deposit becomes the Universities monies....” However, the housing contract appears to contradict itself by stating “...the refund for the same advanced deposit must be requested within two years after graduation or leaving the University....”

Criteria: WV Code §5A-8-9 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....”

The WVSU Office of Residence Life’s Residence Hall Manual, states in part:

“...No part of the room fee is refundable during the semester. A current board refund will be pro-rated based upon date of official withdrawal. No refund of the board fee for the last two weeks of the semester will be granted....

Student's request for refund must be in writing. Furthermore, the request must be received by Student Affairs no later than **one** year after student's residence hall contract has terminated. In the event students fail to make the proper request in the manner specified, all monies will become the property of West Virginia State University.... “

The WVSU Office of Residence Life Housing Contract, states in part:

“...No refunds or prorating of room or board charges will be granted after December 1 for the Fall semester or after May 1 for the Spring Semester”

“The Room Breakage deposit must be requested within **two** years after graduation or after leaving the university. **NO REFUND of this deposit will be made after that date.**”

“The student must request a refund for the advanced room deposit/breakage fee for August 1 for Fall, or by January 1 for Spring, or by May 15 for Summer, if the student decides not to attend the University for any reason. **If the refund is not requested by these dates the advanced deposit becomes the Universities monies....” (Emphasis Added)**

Cause:

Policies and provisions in the Residence Hall Manual and the Student Housing Contract were not adequately reviewed and revised to eliminate discrepancies. Determining policies in effect were further complicated by the absence of effective dates of policies recorded in the Residence Hall Manual. The Director of the Office of Residence Life stated that, “depending on the version of the Residence Hall Manual that is being utilized, the information may or may not coincide.” However, we noted the current version of the Residence Hall Manual, available on the WVSU’s website,⁹ was completely identical to the copy provided to us—with the exception of notable changes to the staff listing page on the inside front cover.

⁹ West Virginia State University Web Site: <http://wvstateu.edu> Web page for Residence Hall Manual: http://wvstateu.edu/system/files/residence_life/reslifemanual.pdf

Effect: Discrepancies in the Residence Hall Manual and Student Housing Contract created a situation where the students and administration of WVSU could not rely on the Office of Residence Life's policies to accurately determine payment procedures, refunding procedures, and other fiscal obligations for each party.

Recommendation: We recommend the WVSU Office of Resident Services comply with WV Code §5A-8-9, by updating their Residence Hall Manual and Student Housing Contract to accurately and adequately reflect currently practiced fiscal policies in place at WVSU. Also, we recommend WVSU ensure that the manual and the contract accurately parallel one another when policies are outlined in both documents.

Finding 15

Lack of Contract or Agreement for Rental of WVSU Capitol Theater

Condition:

In 1991, WVSU acquired the Capitol Theater in downtown Charleston and renamed it the Capitol Center. In addition to class offerings, workshops, and staging plays and musicals at the Capitol Center, WVSU raises revenue by renting the facility to various organizations. WVSU required most of the renting organizations to sign a confirmation agreement that stipulated price, lease period, and responsibilities and obligations on the part of the lessee. We noted, however, that WVSU allowed the Charleston Stage Company (CSC), the Contemporary Youth Arts Company (CYSC), and the West Virginia International Film Festival (WVIFF) to rent the Capitol Center without a written agreement during fiscal year 2009.

WVSU deposited \$8,183 for rentals and vending sales during fiscal year 2009. The majority of deposits were from rentals; however, we were unable to determine the exact amount of Capitol Center revenues deposited for rentals due to a lack of detailed records recording the collection and deposit of \$3,193, or 39%, of the monies deposited during FY 2009.

Criteria:

WV Code §5A-8-9 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....”

In addition to agreed upon price and date of the rental, the standard form used as a lease agreement for WVSU’s rental of the Capitol Center lists numerous stipulations and requirements on the part of the Lessee, some of which are stated in part below:

“...2. Lessee agrees to pay WVSU as rental for such use the deposit designated above upon signing of this agreement, and the balance of the rental by net 30 from the conclusion of the Event....

12. ... Lessee further agrees to leave the premises in the same condition as existed on the date that possession thereof commenced,...

Cause:

It is our understanding the CSC, the CYSC, and the WVIFF were not required to sign the confirmation agreement because they were regular renters of the Capitol Center. A WVSU employee that oversaw the rental of the Capitol Center , stated the "...rental contracts are given out to be signed. They have to be returned (signed) before they can have their event. We do have some groups that we have more of a handshake deal with - Charleston Stage Co.,

Contemporary Youth Arts Co., and the West Virginia International Film Festival. All these groups have seen the contract and adhere to its stipulations..."

Effect:

The basic purpose of a lease agreement is to specify the lease amount, date and length of the arrangement, and to set out clear expectations on the parts of the owner and lessee. Such agreements can lessen the risk of property damage and, at the same time, diminish the chance of conflict and possible litigation when misuse of, or damage to, leased property occurs. Therefore, such agreements can serve to reduce the risk of additional costs to the property owner that may otherwise occur if lease agreements are either not prepared or are lacking sufficient detail.

In addition, rental agreements can serve as tangible evidence that revenues either were or should have been collected. If present, these agreements can be matched against revenue collections in order to provide assurance that revenues have been properly collected and deposited. However, no such procedure is possible if agreements are not always required.

Recommendation:

We recommend WVSU comply with WV Code §5A-8-9 and require all renters of the Capitol Center to sign a rental agreement that details lessee and WVSU obligations and expectations and, in the process, serves to protect the rights of WVSU and the lessee.

Finding 16

Student Housing - Collection of Housing Fines

Condition: During our audit of Residence Life Fees and Fines, we noted the following:

Lack of Management Oversight (Fines) –

WVSU's Office of Residence Life did not have an internal control in place that required a reconciliation of the fine invoices collected to the fine invoices issued; instead, fines were gathered from the Housing Resident Directors (RD) and Resident Assistants (RA) by the Office of Residence Life and then forwarded to the Cashier's Office. We noted during our audit period a reconciliation of fines collected to the citations issued would be difficult because the citations are not pre-numbered, logs are not kept by the Office of Residence Life staff, nor does the student sign the fine invoice.

The Residence Hall Manual lists fine amounts for various offenses. We reviewed 28 fines to determine if amounts charged agreed with the amounts stipulated in the manual for the offenses noted on the citations. According to records reviewed documenting citations issued and paid, we noted three students (10.7%) were overcharged a combined total of \$75.

Criteria: WV Code §5A-8-9 states in part:

“The head of each agency shall:

- (c) Establish and maintain an active, continuing program for the economical and efficient management of the records of the agency.
- (d) 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....”

The WVSU Residence Hall Manual, page 110-111, states in part:

“...Lost Room Key: \$25.00
Lost Entrance Door Key: \$75.00
Playing Audio equipment Loud 1st offense/violation – Warning
Playing Audio equipment Loud 2nd Offense \$10.00
Playing Audio equipment Loud 3rd Offense \$25.00 and/or
removal of audio equipment...”

Cause: The Director of Residence Life and Services stated there was more than one version of the Residence Hall Manual available so depending on which one you have access to will determine what information you will view. However, we

noted that the current version of the Residence Hall Manual¹⁰ available at WVSU's website was completely identical to the copy provided to us, with the exception of notable changes to the staff listing page on the inside front cover. (NOTE: there were no printed effective policy dates in the Residence Hall Manual to verify which version we possessed.)

Effect: Because of a lack of an audit trail combined with a lack of internal controls over housing fines revenues, we cannot devise and conduct audit tests that provide sufficient evidence that all citation revenues collected were deposited to the credit of WVSU. Further, without an effective way to track fines and fee collections, it is not possible for WVSU's management to reconcile what should have been collected to what was collected and deposited to the credit of WVSU.

Recommendation: We recommend WVSU comply with WV Code §5A-8-9 and the WVSU Residence Hall Manual. We recommend WVSU implement an effective system of controls over the issuance and recording of fines. We also recommend WVSU strengthen internal controls over the collection and deliverance of fines by implementing an effective tracking system for issued citations. To augment this procedure, each citation form should be sequentially numbered. Original citation forms should be retained and periodic reconciliations should be performed whereby these forms are agreed to deposits made for citations. Finally, WVSU should amend its procedures by requiring students to pay citations directly to WVSU's Cashier's Office.

¹⁰ West Virginia State University Web Site: <http://wvstateu.edu> Web page for Residence Hall Manual: http://wvstateu.edu/system/files/residence_life/reslifemanual.pdf

Appendix A

Finding 1

Response: *We will comply with your recommendations and adhere to our collections of all types of revenue. We will also put procedures in place to ensure that any resident student who withdrawals from classes or who does not comply with the WVSU catalogue be immediately vacated from the dormitories.*

Finding 2

Response: *We will comply with your recommendations and follow WV Code §12-2-2 and Legislative Rule Title 112, Series 3. We implemented a cash collections policy in May 2011 that affects the Bookstore as well as all other cash collection points on campus. In addition, we will review and strengthen internal controls in the Bookstore.*

Finding 3

Response: *We will comply with your recommendation and comply with WV State Tax Department Publication TSD-300. We will also perform a review on items sold in the Bookstore that should have been classified as taxable from FY 2009 to present and determine if taxes are due to the State Tax Department.*

Finding 4

Response: *We will comply with your recommendations and follow BOG Policy #20. We ceased issuing credit to WVSU faculty, staff and other individuals. A new Bookstore system was implemented in August 2012. We will work on creating an accounts receivable report mechanism.*

Finding 5

Response: *We will comply with your recommendation by following WV Code §5A-8-9 and strengthening internal controls over athletic ticket sales*

Finding 6

Response: *We will comply with your recommendation and establish procedures to monitor the food service contract for all revenue and expenditure streams.*

Finding 7

Response: *We will comply with your recommendation and follow WV Code §5A-8-9, WV Code §18B-10 and our own Board of Governors policy no. 20. We will strengthen internal controls and record retention in the Public Safety Office. In addition, we will cease collection of any unapproved fees and ensure all fees are pre-approved by our Board of Governors as well as the Higher Education Policy Commission.*

Finding 8

Response: *We will comply with all of your recommendations for this finding by developing policies and procedures over parking fees, strengthening internal controls, and correcting the errors noted above*

Finding 9

Response: *We have complied with your recommendation by removing the library change machine. In addition, we developed cash collection procedures in May 2011 with include routine, surprise cash counts of all cash collection points.*

Finding 10

Response: *We have complied with WV Code §12-2-2 and Legislative Rule Title 112, Series 3 by submitting applications for all imprest funds to the WV State Treasurer's Office. All imprest funds on campus are now approved in accordance with state statutes.*

Finding 11

Response: *We will comply with WV Code §5A-8-9 and WV Code §18B-10-13 by issuing annual contracts for faculty/staff housing and having all fees approved by the WVSU Board of Governors. Faculty/staff housing is under new management now and new internal policies and procedures are being drafted.*

Finding 12

Response: *We will comply with your recommendation and follow our policies, procedures, and contract terms for student housing*

Finding 13

Response: *We will comply with your recommendation and ensure all new residents are charged the proper fees in compliance with our fee schedules*

Finding 14

Response: *We will comply with your recommendations by updating our Residence Hall Manual and Student Housing Contract. In addition, we will ensure that both documents parallel one another*

Finding 15

Response: *We will comply with your recommendation and follow WV Code §5A-8-9. Going forward, all renters on the Capitol Theatre will be required to sign a rental agreement with WVSU.*

Finding 16

Response: *We will comply with your recommendation and follow WV Code §5A-8-9. We will also strengthen internal controls and revise our policies and procedures over student housing fines*

STATE OF WEST VIRGINIA

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 9th day of October 2012.



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

Notification of when the report was released and the location of the report on our website was sent to the Secretary of the Department of Administration to be filed as a public record. Report release notifications were also sent to the West Virginia Higher Education Policy Commission; West Virginia State University; Governor; Attorney General; State Treasurer; West Virginia State University Governing Board; State Auditor and State Tax Department.