

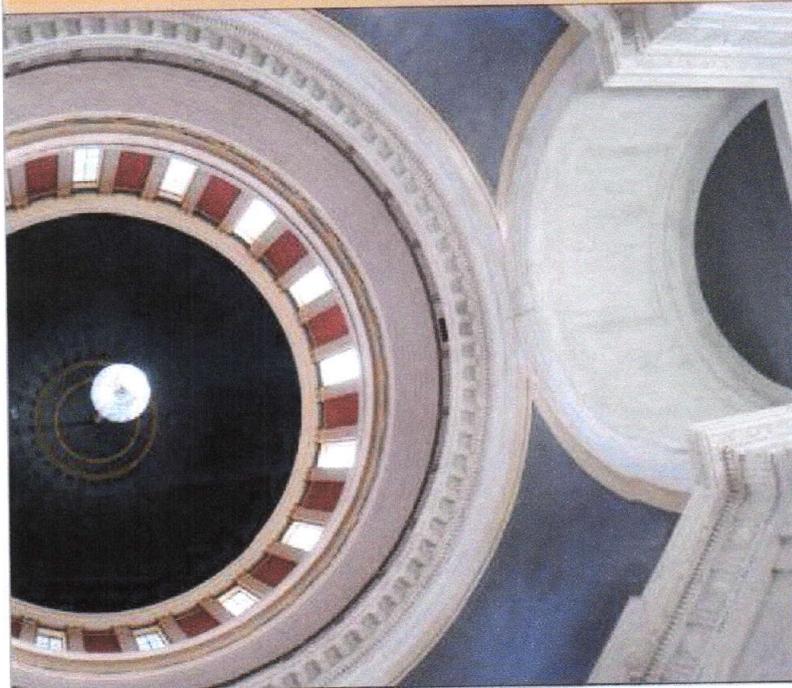
LEGISLATIVE POST AUDIT REPORT

WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)

For the Period July 1, 2011 - June 30, 2012

AUDIT SUMMARY

- Previous Post Audit Recommendations
- Compliance with Provisions of the Grant Agreement
- Determine if Unauthorized Application of Grant Funds Remains an Issue



WEST VIRGINIA LEGISLATIVE AUDITOR
POST AUDIT DIVISION



Aaron Allred - *Legislative Auditor*
Stacy Sneed, CPA - *Director*

Room 329 W, Building 1
1900 Kanawha Boulevard East
Charleston, West Virginia 25305
phone: (304) 347 - 4880

LEGISLATIVE POST AUDITS SUBCOMMITTEE

Senate

President Jeff Kessler, Chairman
Roman Prezioso
Mike Hall

House

Speaker Tim Miley, Chairman
Brent Boggs
Tim Armstead

**WEST VIRGINIA LEGISLATIVE AUDITOR
LEGISLATIVE POST AUDIT DIVISION**

Aaron Allred
Legislative Auditor

Stacy L. Sneed, CPA, CICA
Director

John J. Signore, CPA
Audit Manager

Deanna Lyons, Auditor III
Auditor-in-Charge

Amanda L. Copeland, Auditor I
Matthew R. Thomas, Auditor I
Staff Auditors

Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., East
Charleston, WV 25305-0610
(304) 347-4880

Post audit reports are available on-line at
www.legis.state.wv.us/Joint/postaudit/reports.cfm.

For more information about the Legislative Post Audit Division, please visit our website at
www.legis.state.wv.us/Joint/postaudit/postaudit.cfm.

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W- 329
1900 Kanawha Blvd. East
Charleston, WV 25305-0610



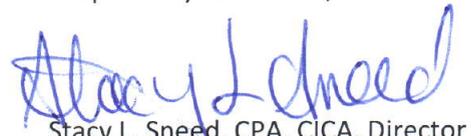
Area Code: (304)
Phone: 347-4880
Fax: 347-4889

The Joint Committee on Government and Finance:

In compliance with the provisions of the WV Code, §4-2, as amended, and §49-6C-1(c), we conducted a post audit of the West Virginia Children's Trust Fund (WVCTF) for the period July 1, 2011 through June 30, 2012.

We have conducted our audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Our audit disclosed certain findings, which are detailed in this report. Findings deemed inconsequential to the financial operations of the agency were discussed with management. The West Virginia Bureau for Children and Families (BCF), Administrator of the WVCTF, has responded to the audit findings; we have included the responses in Appendix A.

Respectfully submitted,


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

SLS/dkl

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN’S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	- 1 -
INTRODUCTION	- 3 -
POST AUDIT AUTHORITY	- 3 -
BACKGROUND.....	- 3 -
SPENDING UNIT CONTACTS	- 5 -
AUDIT SCOPE	- 6 -
OBJECTIVES AND METHODOLOGIES.....	- 6 -
CONCLUSIONS	- 8 -
EXIT CONFERENCE.....	- 9 -
FUND LISTING	- 10 -
AUDIT RESULTS.....	- 11 -
Objective One	- 12 -
Objective Two	- 13 -
FINDING 1 Lack of Monitoring.....	- 14 -
Objective Three.....	- 17 -
Objective Four.....	- 18 -
Objective Five	- 19 -
Objective Six	- 21 -
SCHEDULE OF PRIOR AUDIT FINDINGS	- 22 -
APPENDIX A.....	- 23 -
CERTIFICATE OF DIRECTOR, LEGISLATIVE POST AUDIT DIVISION.....	- 25 -

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

EXECUTIVE SUMMARY

Objective One **Ascertain whether the recommendations made in the Post Audit for FY07 have been implemented.**

The WV Bureau for Children and Families implemented two of the four recommendations from the prior post audit.

Please see Objectives two through six and the Schedule of Prior Audit Findings on page 22 for further details.

Objective Two **Assess WVCTF compliance with provisions of the Grant Agreement, with TEAM for WV Children, e.g., requires adequate documentation of program results and adequate accounting for expenditures.**

Finding 1 **Lack of Monitoring**

Based on our testing of grant expenditures, we found 11 instances out of 11 grants tested where there was a lack of documentation of monitoring procedures. Monitoring activities include telephone call logs, copies of email communication, desk reviews (reconciliation of expenditures to support documentation) and on-site visit reports in the grantee files.

Additionally, we requested the supporting documentation of six grants to reconcile with the quarterly expenditure reports. We determined that all six grants had supporting documentation to support CTF monies.

Auditor's Recommendation

We recommend the Bureau for Children and Families adhere to WV Code §49-6C-1(a), Exhibit G of the Grant Agreement with TEAM for West Virginia Children, BUREAU FOR CHILDREN AND FAMILIES-Monitoring Activities Legend, DHHR Standard Operating Procedures Monitoring Number: OFA-DGC-5, DHHR Standard Operating Procedure Report Review Number: OFA-DGC-8, and Section 7.02 of the Grant Agreement.

We also recommend that BCF obtain and review grantee source documents (receipts, ledgers, etc) for the representative samples as evidence supporting the proper use of grant funds as previously recommended in the *Legislative Audit Report of the Department of Health and Human Resources-Grant Disbursements* for the period of July 1, 2006 – June 30, 2007.

Spending Unit's Response

See Appendix A

Objective Three **Determine if unauthorized application of Grant Funds remains an issue.**

We received complete supporting documentation from all of the six grants selected for additional tests, and determined unauthorized application of CTF monies is not an issue.

Objective Four **Assess Timely Deposits to the Children's Trust Fund.**

This was a one-time incident. Since the funds were transferred to DHHR this is no longer an issue.

Objective Five **Determine if the Trust Fund is being disbursed judiciously or if the fund is allowed to grow indiscriminately.**

The BCF has increased the award to TEAM for West Virginia Children from \$50,000 annually to \$512,525 in fiscal year 2012. In addition, \$160,000 in total was awarded to ten different Starting Points programs lacking the Federal Title IV-B Grant money. We determine the fund has been steadily decreasing since the release of the last Post Audit in 2009.

Objective Six **Assess whether grants/contracts using Children's Trust Fund monies were used in compliance with WV Code §49-6C-1(a) which states in part...**

"The Children's Fund created for the sole purpose of awarding grants, loans and loan guarantees for child abuse and neglect prevention activities."

We received complete supporting documentation from all of the six grants selected for additional tests, and determined that grants using Children's Trust Fund monies were used in compliance with WV Code §49-6C-1(a).

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

INTRODUCTION

POST AUDIT AUTHORITY

This is the report on the post audit of the West Virginia Children's Trust Fund (5469) for the period of July 1, 2011 through June 30, 2012. The audit was conducted pursuant to WV Code §4-2, as amended and WV Code §49-6C-1(c) which requires the Legislative Auditor conduct an audit of the fund at least every five fiscal years and to make recommendations to the Legislature concerning post audit findings.

BACKGROUND

The West Virginia Legislature under Senate Bill No. 1 created the West Virginia Children's Fund during the Third Extraordinary Session of the 1990 West Virginia Legislature. The fund was established solely and specifically to grant monies for, "child abuse and neglect prevention activities".

Funding sources included grants, gifts, donations, and voluntary contributions; most notably from a portion of taxpayer refunds via a check off box on the WV State Income Tax form.

Prior to 2005, the Governor's Cabinet on Children and Families governed the fund; granting small community-based grants aimed toward furthering children and families programs. During the period of July 1, 2005 to August 21, 2007, the administration of the Children's Fund changed. Administrative responsibilities of the Cabinet were discontinued in June 2005 by a Governor's Declaration. The Declaration, dated June 10, 2005, states:

"...the Children's Fund transferred to the Bureau for Children and Families (BCF) within the Department of Health and Human Resources (DHHR), to be administered by the Commissioner of the BCF."

The Children's Fund remained administratively linked to the Governor's Office during the period as an assigned fund under the Governor's Office organizational structure; however, the administrative responsibilities for the Children's Fund were transferred by the Declaration to DHHR. The cabinet transferred funds to the DHHR for allocation and disbursement.

Prior to August 21, 2007 the Children's Fund was governed by WV Code §5-26-6. With the passage of Senate Bill 2007, the Children's Fund transferred to DHHR. The bill also officially changed the name of the fund from the Children's Fund" to the Children's Trust Fund".

WV Code §49-6C-1 Continuation and transfer of control of trust fund states:

"...the Children's Fund transferred to the Bureau for Children and Families (BCF) within the Department of Health and Human Resources (DHHR) to be administered by the Commissioner of the BCF."

On April 30, 2008, the Children's Fund Account with the Treasurer's Office closed and the funds transferred to DHHR's newly established Children's Trust Fund (5469). Effective July 1, 2008, the DHHR Bureau for Children and Families began withdrawing money directly from the fund for the administration of grant program activities for the prevention of abuse and neglect of West Virginia's children.

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

SPENDING UNIT CONTACTS

Karen L. Bowling.....DHHR Cabinet Secretary (July 2013 – Present)

Rocco S. Fucillo..... DHHR Interim Cabinet Secretary (July 2012 – June 2013)

Michael J. Lewis, M.D., PhDDHHR Cabinet Secretary (December 2010 – June 2012)

Brian Cassis.....DHHR - Internal Control/Policy Development, Director

Douglas M. Robinson..... Interim Commissioner

Melissa Rosen.....Interim Deputy Commissioner

Gail Totten.....Director, Grants and Contracts

Mark SteeleInterim Chief Financial Officer

Tina Faber.....Program Manager, Division of Children and Adult Services

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

AUDIT SCOPE

We have audited the Bureau for Children and Families (BCF) for the period of July 1, 2011 – June 30, 2012. Our audit scope was limited to expenditures from Fund 5469 of the WV Children's Trust Fund and included a review of internal controls concerning the receipt and expensing of such monies and compliance with applicable WV Code, applicable State Rules, and BCF internal policies applicable to fiscal year 2012. We conducted this post audit, which is a performance audit, in accordance with the standards applicable to performance audits contained in Generally Accepted Governmental Accounting Standards (GAGAS).

OBJECTIVES AND METHODOLOGIES

Our post audit of the WV Children's Trust Fund had six objectives described below:

- One Ascertain whether the recommendations made in the Post Audit for FY07 have been implemented.

- Two Assess WVCTF compliance with provisions of the Grant Agreement, with TEAM for WV Children, e.g., requires adequate documentation of program results and adequate accounting for expenditures.

- Three Determine if unauthorized application of Grant Funds remains an issue.

- Four Assess Timely Deposits to the Children's Trust Fund.

- Five Determine if the Trust Fund is being disbursed judiciously or if the fund is allowed to grow indiscriminately.

- Six Assess whether grants/contracts using Children's Trust Fund monies were used in compliance with WV Code §49-6C-1(a) which states in part...

"The Children's Fund created for the sole purpose of awarding grants, loans and loan guarantees for child abuse and neglect prevention activities..."

To achieve our objectives, we reviewed legislation, WV Code sections, applicable rules and regulations, and policies of BCF. Provisions we considered significant were documented and compliance with those requirements was verified by interview and through inspections of documents and records. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Additionally, we reviewed the budget, studied financial trends, and interviewed BCF

personnel to obtain an understanding of the programs and the internal controls respective to the scope of our audit.

Due to the limited number of WVCTF grants during our audit period, we tested all of the grants for compliance with WV Code §49-6C-1(a). We used professional auditor judgment to select a sample of six grants for further testing. Our samples of transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes.

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 that 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 BCF 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 BCF compliance with those requirements.

BCF 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. In addition, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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.

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

CONCLUSIONS

The BCF expenditure process had significant internal control weaknesses and noncompliance in record keeping maintained by the Division of Grants and Contracts for the BCF.

For the items tested, BCF did not comply with parts of the WV Code and the Grant Agreements. Noncompliance with the aforementioned is directly related to inadequate recordkeeping, lack of internal controls, lack of management oversight, and lack of monitoring.

In a letter addressed to the WV Tax Department Commissioner, we requested information providing us an estimate of the average annual total costs incurred by the WV Tax Department related to the Children's Trust Fund. In reply to our request, we received the following:

"This is in response to the request from the Legislative Auditor's Office to provide a cost estimate for the State to administer the West Virginia Children's Trust Fund. Neither the Tax Account Administration Division nor the Research Division incurs any additional cost towards the administration of the Children's Trust Fund."

Additionally, we requested the WV Department of Health and Human Resources (DHHR), Chief Financial Officer provide us an estimate of the average annual total costs incurred by the agency for administering the Children's Trust Fund. The Chief Financial Officer's total estimated cost for the administration of the WVCTF is \$28,697 per year.

The WVCTF revenue for fiscal year 2012 totaled \$428,574 received as follows:

Gifts	\$128,124
Birth Certificate Fees	80
Investment Earnings	370
Statutory Transfer	<u>300,000</u>
Total	\$428,574

Expenditures for the CTF in FY 2012 totaled approximately \$664,635. The Post Audit Division invested a total of \$74,829 in conducting this post audit; it is not cost effective for our office to continue to audit this amount of money every five years. Our recommendation is the WV Legislature revisit the WV Code §49-6C-1(c) and change 1(c) by omitting the second sentence following:

"The Legislative Auditor shall conduct an audit of the fund at least every five fiscal years".

EXIT CONFERENCE

We discussed this report with management of WV BCF on August 8, 2013. All findings and recommendations were reviewed and discussed. Any items deemed inconsequential were also discussed with management during the formal exit conference. Management's response has been included at the end of the report in Appendix A.

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

FUND LISTING

Our post audit included reviewing expenditures from the following special revenue account.

We have completed a post audit of the WV Children's Trust Fund for the period of July 1, 2011—June 30, 2012.

SPECIAL REVENUE ACCOUNTS

WV Bureau for Children and Families maintained the following special revenue account. This account represents funds from specific activities as required by law or administrative regulations. These funds are deposited with the State Treasurer in the following special revenue account:

Fund Number	Fund Name
5469.....	Children's Trust Fund

Children's Trust Fund

This fund is comprised of statutory transfers, investment earnings, fees, licenses, income, gifts & donations to provide for the receipt & disbursement of funds in the Children's Trust Fund.
(Governed by WV Code §49-6C-1)

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

AUDIT RESULTS

Audit Results

In the pages that follow, we have organized our audit results for each objective into four sections as follows:

- Statement of the objective
- Relevant laws, policies or agreements
- Audit Methodology used to gather sufficient evidence to meet the objective
- Finding(s) and conclusion(s), if applicable

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

AUDIT RESULTS

**Audit Results for
Objective One**

Objective One **Ascertain whether the recommendations made in the Post Audit for FY07 were implemented.**

**Relevant Laws,
Policies or
Agreements:**

The WVCTF is a special revenue fund and is restricted in use by *WV Code §49-6C-1 (a)* which states in part:

“The Children’s Fund created for the sole purpose of awarding grants, loans and loan guarantees for child abuse and neglect activities.”

Methodology:

We addressed whether implementation of recommendations made in the Post Audit for FY07 are in effect according to agreements reached with DHHR and spending units under DHHR, including the Bureau for Children and Families.

To achieve our objectives, we reviewed legislation, WV Code sections, applicable rules and regulations, and policies of BCF. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Additionally, we reviewed the budget, studied financial trends, and interviewed BCF personnel to obtain an understanding of the programs and the internal controls respective to the scope of our audit.

Due to the limited number of CTF grants during our audit period, we tested all of the grants for compliance with WV Code §49-6C-1(a). We used professional auditor judgment to select a sample of six grants for further testing. Our samples of transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes.

Conclusion:

(Please see Objectives two through six and the Schedule of Prior Audit Findings on page 22 for further details)

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

**Audit Results for
Objective Two**

Objective Two

Assess WVCTF compliance with provisions of the Grant Agreement, with TEAM for WV Children, e.g., requiring adequate documentation of program results and adequate accounting for expenditures.

**Relevant Laws,
Policies or
Agreements:**

The WVCTF is a special revenue fund and is restricted in use by *WV Code §49-6C-1 (a)* which states in part:

“The Children’s Fund created for the sole purpose of awarding grants, loans and loan guarantees for child abuse and neglect activities.”

Internal policies that apply to this objective include Exhibit G of the grant agreement, BUREAU FOR CHILDREN AND FAMILIES - Monitoring Activities Legend, DHHR Standard Operating Procedures Monitoring Number: OFA-DGC-5, DHHR Standard Operating Procedure Report Review Number: OFA-DGC-8, and the Fiscal Year 2012 grant agreement. Please refer to the following finding for a more detailed explanation.

Methodology:

We obtained and reviewed all relevant policies and procedures, conducted interviews of DHHR staff including the Director of Grants and Contracts, the two Contract Specialists that maintained the grant documentation, and the Program Director. We then reviewed, scanned and documented the grant files maintained by the Bureau for Children and Families.

In order to account for adequate documentation of program results and adequate accounting of expenditures we designed and performed a test to determine if files for WVCTF monies were not only being properly documented and maintained by BCF but also provided adequate accounting for expenditures.

Since there were only 11 grants awarded from the WVCTF monies, we selected all 11 grants for testing. Our testing included a detailed review of the invoices maintained on file, expenditure and progress reports, any other documentation maintained on file, and documentation that may have indicated monitoring activities were performed during our audit period.

Early in the review of documentation it became apparent documentation of monitoring activities were absent from the files maintained by BCF. We assessed the lack of documentation of monitoring procedures to be a high-risk area and to mitigate that risk, using professional auditor judgment; we selected six of the 11 grantees for further review and requested supporting documentation for selected expenditure reports during our audit period. Once we received the supporting documentation, we then calculated and compared the supporting documentation against the expenditure reports submitted to BCF by the grantees. We then calculated the difference between the supporting documentation provided and the expenditure reports submitted and included the information on our supplemental worksheet. From the results of this work, we extrapolated our finding.

FINDING 1

Lack of Monitoring

Condition:

Based on our testing of grant expenditures, we found 11 instances out of 11 grants where there was a lack of documentation of monitoring procedures. During our audit, we found the following grant monitoring inadequacies:

- 1) No call logs were maintained although we were advised during our procedural interviews with the Contract Specialists that the Contract Specialists remained in constant contact with the grantees.
- 2) Our audit revealed there is a lack of documentation verifying BCF conducted on-site monitoring activities during our audit period of the WVCTF.
- 3) Our audit revealed program reports were received but no indication of review, or date stamp documenting receipt by BCF, were in the files maintained by BCF.
- 4) No support documentation for WVCTF monies for TEAM for WV Children and Starting Points grants.

Since desk reviews were not performed during our audit period of FY12, using professional auditor judgment, we selected six of the 11 grants (approximately 55% of our population) and requested support documentation to verify accuracy for the submitted expenditure reports. We determined that all six grants had supporting documentation to support CTF monies.

Criteria:

WV Code §49-6C-1 (a) states in part:

“The Children’s Fund created for the sole purpose of awarding grants, loans and loan guarantees for child abuse and neglect activities [...] the fund shall be administered by the Commissioner of the Bureau for Children and Families. Gifts, bequests or donations for this purpose, in addition to

appropriations to the fund, shall be deposited in the State Treasury in a **special revenue account under the control of the Secretary of the Department of Health and Human Resources or his or her designee.**" (Emphasis Added)

Exhibit G of the Grant Agreement with TEAM for WV Children reporting requirements require...

"Supporting documentation for all Children's Trust Fund expenditures **must** also be submitted." (Emphasis Added)

BUREAU FOR CHILDREN AND FAMILIES – Monitoring Activities Legend – Section C describes ongoing administration and monitoring and states in part ...

"...Document the receipt and **two level reviews of programmatic reports** by grant and program staff....**Document periodic meetings** between subrecipient and DHHR to assure **continued delivery of services in accordance with grant and state program requirements...** Conduct site visit to review board, personnel, financial or program operations of subrecipient...." (Emphasis Added)

DHHR Standard Operating Procedures Monitoring Number: OFA-DGC-5 outlines monitoring activities for Department of Grants and Contracts (DGC), states in part...

"DGC... identifies issues of concern about the financial operation of subrecipients by a review of the management letter and audit submitted to the division of Monitoring and Grant Compliance. **Any issue of concern to BCF is brought to the attention of BCF management by DGC.**" (Emphasis Added)

DHHR Standard Operating Procedure Report Review Number: OFA-DGC-8 outlines report reviewing standards and states in part...

"In order for BCF to assure services are being delivered in accordance with the terms and conditions of the grant agreement, DGC must.... review program reports to determine whether it is on time, **on the correct form**, complete, and understandable.....**DGC documents contacts with grantee...."** (Emphasis Added)

Section 7.02 of the Grant Agreement states in part. . .

"... The Department has a responsibility to monitor the activities of its grantees as necessary to provide reasonable assurance that the Grantee uses these grant funds **for intended and authorized purposes....** Monitoring is the process by which

the programmatic and administrative management performance of a grant is **continuously reviewed by the awarding agency...** There are several types of monitoring activities that may be performed by the department in relation to this grant including the **review of audits, financial and performance reports; the performance of onsite monitoring visits; observing operations; reviewing financial and programmatic records; regular contact; other inquiries concerning program and financial activities; etc....** "(Emphasis Added)

Cause: According to the Director of Grants and Contracts, monitoring procedures, such as desk reviews and on-site monitoring, were not performed during our grant period FY12 due to high turnover and lack of staff.

Effect: The lack of monitoring of grant monies creates a window of opportunity for fraud, nepotism, cronyism, and perhaps other methods of defalcation. Determining if the grant monies are disbursed according to the grant agreement and any other state or federal code is difficult and/or impossible without proper monitoring and documentation of that monitoring. Additionally, monitoring is a deterrent; all recipients of grant monies will use greater care in the use of funds if a functional monitoring system is in place and utilized.

Recommendation: We recommend the Bureau for Children and Families adhere to WV Code §49-6C-1(a), Exhibit G of the Grant Agreement with TEAM for WV Children, BUREAU FOR CHILDREN AND FAMILIES-Monitoring Activities Legend, DHHR Standard Operating Procedures Monitoring Number: OFA-DGC-5, DHHR Standard Operating Procedure Report Review Number: OFA-DGC-8, and Section 7.02 of the Grant Agreement.

We also recommend that "DHHR should obtain and review grantee source documents (receipts, ledgers, etc) for the representative samples as evidence supporting the proper use of grant funds" as previously recommended in the *Legislative Audit Report of the Department of Health and Human Resources-Grant Disbursements* for the period of July 1, 2006 - June 30, 2007.

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

**Audit Results for
Objective Three**

Objective Three **Determine if unauthorized application of grant funds remains an issue.**

**Relevant Laws ,
Policies or
Agreements:**

The WVCTF is a special revenue fund and is restricted in use by *WV Code §49-6C-1 (a)* which states in part:

“The Children’s Fund created for the sole purpose of awarding grants, loans and loan guarantees for child abuse and neglect activities.”

Other relevant policies include the grant agreement between the West Virginia Department of Health and Human Resources Bureau for Children and Families and WVCTF grantees.

Methodology:

During the previous audit of the WVCTF it was determined the grantee, TEAM for WV Children, was using WVCTF grant funds on unauthorized expenditures that included, advertising to increase contributions to the WVCTF, and salaries that were not included in the grant work plan or grant agreement.

In order to verify grant funds were no longer being spent on unallowable items we examined all applicable rules guiding the expenditure of grant funds including; the fiscal year 2012 grant agreement for each grantee, and WV Code §49-6C-1. We reviewed all documents related to the expenditure of WVCTF grant funds located on file at the BCF that included the Line Item Budgets for each Grant Agreement, all expenditure reports and the QuickBooks records provided by TEAM for WV Children. Additionally, we requested a sampling of support documentation for expenditures from six of the 11 grantees.

Conclusion:

We received complete supporting documentation from all of the six grants selected for additional tests, and determined unauthorized application of CTF monies is not an issue.

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

**Audit Results for
Objective Four**

Objective Four Assess Timely Deposits to the Children's Trust Fund.

**Relevant laws,
Policies or
Agreements:**

WV Code §12-6C-6 Consolidated fund continued; management states:

“... (b) Each spending unit authorized to invest moneys shall unless prohibited by law, request the State Treasurer to invest its moneys.”

Methodology:

Our previous audit indicated that DHHR had an approved Board of Treasury Investment (BTI) account for the Children's Trust Fund when they received custody of the funds on April 25, 2008. However, DHHR did not initiate a transfer to the investment account until May 21, 2008, 26 days after receiving custody. We estimated the Bureau could have earned approximately \$2,300.00 in additional investment earnings had the WVCTF moneys been invested at the time the Bureau first received custody of the moneys. We recommended the DHHR monitor this protocol to ensure its effectiveness in complying with deposit requirements stipulated in WV Code.

Conclusion:

This finding was a one-time incident. Since the funds were transferred to DHHR this is no longer an issue.

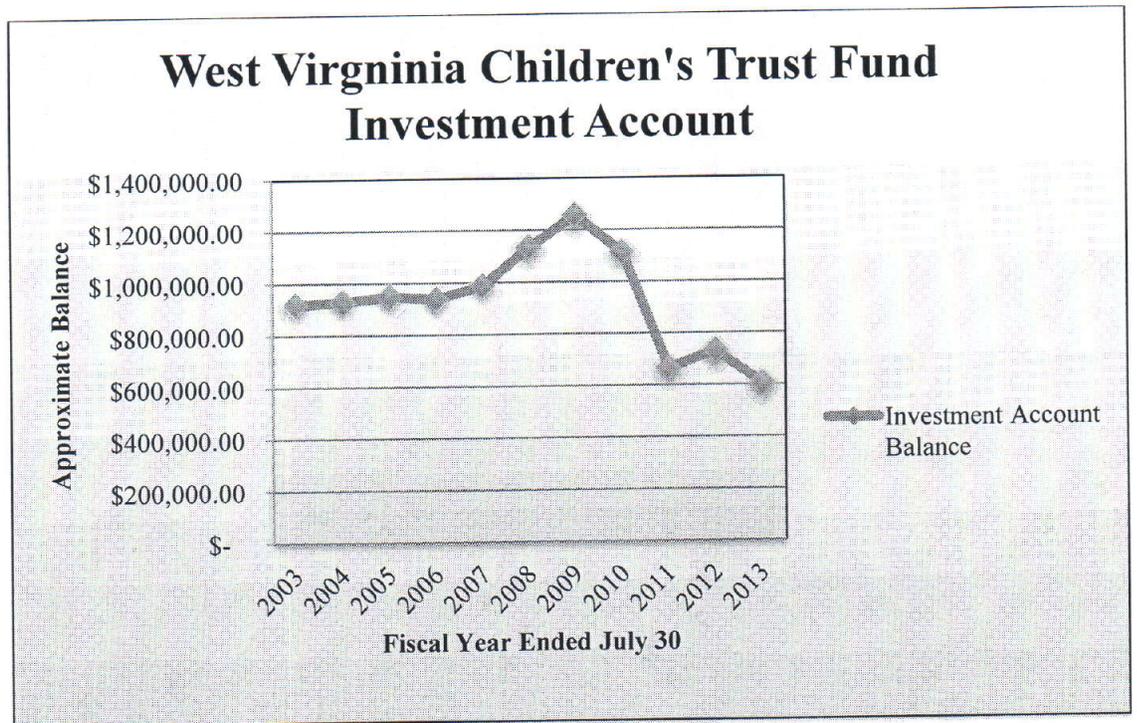
**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

**Audit Results for
Objective Five**

Objective Five **Determine if the Trust Fund is being disbursed judiciously or if the fund is allowed to grow indiscriminately.**

Methodology: We requested and obtained a Statement of Accounts from the Board of Treasury Investments for the current audit period, July 1, 2011 – June 30, 2012. Additionally, we requested the ending fund balances for each intervening year from the prior FY2007 post audit through FY2013.

We reviewed each end of Fiscal Year balance and assessed whether the fund was being disbursed judiciously. The following chart illustrates the balances of the investment account from June 30, 2003 through June 30, 2013:



Conclusion:

We determined The BCF is judiciously awarding WVCTF funds. The BCF has increased the award to TEAM for WV Children from \$50,000 annually to \$512,525 in fiscal year 2012. Additionally, the BCF is awarding grants to those Starting Points programs where the Federal Grant program Title IV-B, was not

part of the award; a total of \$16,000 each for ten different programs in fiscal year 2012. As a result, we believe that the fund has been steadily decreasing since the release of the last Post Audit in 2009.

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

**Audit Results for
Objective Six**

Objective Six

Assess whether grants/contracts using Children's Trust Fund monies were used in compliance with WV Code §49-6C-1(a).

**Relevant Laws,
Policies or
Agreements:**

The WVCTF is a special revenue fund and is restricted in use by *WV Code §49-6C-1 (a)* which states in part:

"The Children's Fund created for the sole purpose of awarding grants, loans and loan guarantees for child abuse and neglect activities."

Methodology:

We obtained and reviewed all relevant policies and procedures, conducted interviews of BCF staff including the Director of Grants and Contracts, the two Contract Specialists that maintained the grant documentation, and the Program Director. We then reviewed, scanned and documented the grant files maintained by the Bureau for Children and Families.

In order to account for adequate documentation of program results and adequate accounting of expenditures we designed and performed a test to determine if files for WVCTF monies were being properly documented and maintained by BCF. We also determined if adequate accounting was being provided for expenditures.

Since there were only 11 grants awarded from the WVCTF monies, we selected all 11 grants for testing. Our testing included a detailed review of the invoices maintained on file, expenditure and progress reports, as well as any other documentation, and documentation that may have indicated monitoring activities were performed during our audit period.

Conclusion:

We received complete supporting documentation from all of the six grants selected for additional tests, and determined that grants using Children's Trust Fund monies were used in compliance with WV Code §49-6C-1(a).

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Corrective Action Taken; Finding No Longer Valid
2007-01	Inadequate Documentation - Vague description of CTF expenditures impairing ability to determine grant fund applications	No	Partially Corrected - A program manager follows subrecipient grantee events with an activity calendar; we found no record of support documentation submission or any reconciliation of expenditures for fiscal year 2012. TEAM submits a Quick Books program copy of data inputs, but without submitting support for the data and without a reconciliation of disbursements to the expenditures.
2007-02	Unauthorized Application of Grant Funds - TEAM spending grant funds on unauthorized fund raising activities	Yes	Corrected - TEAM asserts in their annual report to DHHR that no WVCTF funds are directed toward fund raising.
2007-03	Investment of Children's Trust Fund Moneys	Yes	Finding No Longer Valid - Related to a one-time event; transfer of the fund balance to DHHR and delay of transfer to the Treasurer's Investment Fund.
2007-04	Investment Account Balance - Investment Account Growing Indiscriminately (For Informational Purposes Only)	Yes	Corrective Action Taken – We concluded the Investment Account is not growing indiscriminately. TEAM's grant award has grown substantially and the BCF has made funds available to Starting Point Programs as well.

Status of Prior Audit: Our current audit reveals that the BCF followed our recommendation as it relates to TEAM for WV Children. TEAM submits a separate expenditure report for the WVCTF funding along with a Quick Books accounting of disbursements. However, TEAM as well as the other subrecipients, does not submit support documentation to validate and verify those disbursements, as required in Exhibit G of the Grant Agreement stating in part...

REQUIRED REPORTS: "...Supporting documentation for all Children's Trust Fund expenditures must also be submitted."

**WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES
WEST VIRGINIA CHILDREN'S TRUST FUND (5469)
JULY 1, 2011 – JUNE 30, 2012**

APPENDIX A

Bureau for Children and Families Response Finding One: Lack of Monitoring

The Bureau for Children and Families (Bureau) is pleased that the Children's Trust Fund audit concluded all six grantees had documentation to support Trust fund monies. The Bureau is also pleased the audit indicated that BCF had program and expenditure reports on file for the grants selected. The Bureau is in agreement that documentation of monitoring activities related to site visits and the review of program and expenditure reports can be improved.

Several vacancies in the Bureau contributed to the lack of documentation of some monitoring activities during the 2012 grant year. While desk reviews were not performed on the six grantees during the 2012 grant year, desk reviews were performed on three of six grantees during the 2010 grant cycle. Going forward the Bureau will request and review supporting documentation of grant expenditures during each grant cycle.

The Department of Health and Human Resources (Department) defines monitoring activity broadly as a continuous function, performed at various levels of the agency throughout the grant cycle. The Department at multiple levels approved the statement of work as meeting the characteristics of grant award as each grant is developed and reviewed at the Bureau then at Department of Health and Human Resources Office Finance before sending to grantee for signature.

The Bureau also agrees that a site visit is one tool available to monitor grantee activities but would note that there is no federal or state statute or regulation that requires site visits. With current technology, onsite reviews are becoming less frequent and less necessary with respect to the financial aspect of grants. The Bureau agrees when a site visit is made by program or finance it should be documented.

In accordance with Department policy on monitoring, the Bureau did engage in the following monitoring activities during the FY12 grant year:

1. Provide a written statement of work which to describe the services to be provided and information to be reported.
2. Review and approve the detailed line item budget for all costs associated with the delivery of services, for accuracy, reasonableness and allowability.
3. Determine payment methodology.
4. Assure grantee is aware of its responsibilities under the Federal Cash Management Improvement Act.
5. Establish frequency and content of expenditure reports.
6. Establish content and frequency of programmatic reports.
7. Inform grantee of the requirement to obtain DHHR approval for sub granting and the grantee's oversight responsibilities when sub granting to another organization.

8. Inform grantee of the source of funds, CFDA number, award name and number, award year, and the name of the Federal awarding agency.
9. Inform grantee of authorizing statutes for the grant program.
10. Inform grantee of administrative regulations and cost principles.
11. Inform grantee of procedures for charging indirect costs to the grant award.
12. Inform grantee of specific program regulations or guidelines applicable to the grant award.
13. Inform grantee of public policy requirements of the grant award.
14. Inform grantee of record retention and access requirements.
15. Inform grantee of the period of availability of funds.
16. Inform grantee of the need for DHHR approval to recoup costs incurred before the date of the award
17. Documented approval of invoices.
18. Received expenditure and program reports from grantees as required by Exhibit G of the grant agreement. Expenditure reports include a signature line to indicate BCF reviewed and approved the expenditure report. BCF will improve documentation of the review of program and expenditure reports.
19. While program staff visited some of the selected grantees during the period under view there was no documentation of those visits. The Bureau agrees that programmatic and or financial site visits must be documented.

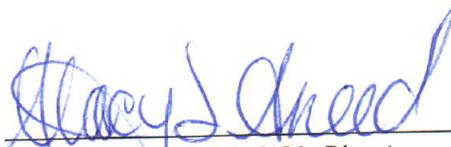
In addition, during the 2012 grant year, the Department phased in a new grant development and processing system, which will allow for an integrated system of managing and monitoring grants. This system has had multiple builds during the past two years. It includes a document manager that will hold budgets and reports and other documents, email communication with grantees and program staff can be tracked to each individual grant and there is a section for "notes" for each grant that will allow for easier documentation of activities.

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 WV Code §4-2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 14th day of August 2013.



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 were 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 Attorney General's Office; Governor; and State Auditor, DHHR Cabinet Secretary, and the Bureau for Children and Families.