

# LEGISLATIVE POST AUDIT REPORT

## GLENVILLE STATE COLLEGE

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

### AUDIT SUMMARY

- Inadequate Inventory Records
- Equipment Inventory Discrepancies
- Inappropriate Contract with Vendor



### WEST VIRGINIA LEGISLATIVE AUDITOR POST AUDIT DIVISION



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**WEST VIRGINIA LEGISLATURE**  
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**Denny Rhodes**  
**Director**

The Joint Committee on Government and Finance:

In compliance with the provisions of the WV Code §4-2, as amended, we conducted a post audit of Glenville State College (GSC) for the period of July 1, 2011 through June 30, 2012. However, in order to present the users of the report with useful information, the scope of certain sub-objectives was expanded beyond fiscal year 2012. The audit team looked at trends in GSC's cash reserves from fiscal year 2009 through 2013; trends in dormitory revenues for Pioneer Village from 2009 through 2013 and Goodwin Hall from 2011 (year opened) through 2013; and individual contracts from 2009 through 2013 identified throughout the risk assessment process.

The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). The audit disclosed certain findings, which are detailed in this report. Findings deemed inconsequential to the financial operations of the agency were discussed with management. GSC management has responded to the audit findings; the responses have been included at the end of the report.

Respectfully submitted,

A handwritten signature in blue ink that reads "Denny Rhodes".

Denny Rhodes, Director  
Legislative Post Audit Division

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## INTRODUCTION

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### POST AUDIT AUTHORITY

The audit was conducted pursuant to §4-2, as amended, of the WV Code, which requires the Legislative Auditor to “make post audits of the revenues and funds of the spending units of the state government, at least once every two years, if practicable, to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit, to ascertain facts and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the State and of the organization and functions of the State and its spending units.”

The Post Audit Division of the Office of the Legislative Auditor is organized under the Legislative Branch of the State, and the 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.

This communication is intended solely for the information and use of the Post Audits Subcommittee, the members of the WV Legislature, and management of Glenville State College (GSC). Once presented to the Post Audits Subcommittee, this report is a matter of public record and its distribution is not limited. The reports are designed to assist the Post Audits Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. Employee and vendor names have not been disclosed in the report in order to protect personal identifications.

### EXIT CONFERENCE

The report was discussed with management of GSC on September 30, 2014. All findings and recommendations were reviewed and discussed as well as any items deemed inconsequential. Management’s responses have been included at the end of the report in Appendix C.

**GLENVILLE STATE COLLEGE**  
**JULY 1, 2011 - JUNE 30, 2012**

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**SCOPE**

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Legislative Post Audits Division, as granted the authority under WV Code §4-2, as amended, performed a post audit of Glenville State College (GSC) at the request of the West Virginia Legislative Auditor for the period of July 1, 2011 through June 30, 2012. However, in order to present the users of the report with useful information, the scope of certain sub-objectives was expanded beyond fiscal year 2012. The audit team looked at trends in GSC's cash reserves from fiscal year 2009 through 2013; trends in dormitory revenues for Pioneer Village from 2009 through 2013 and Goodwin Hall from 2011 (year opened) through 2013; and individual contracts from 2009 through 2013 identified throughout the risk assessment process. We conducted this performance audit in accordance with generally accepted government auditing standards. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit does not provide a legal determination of GSC's compliance with any laws or regulations.

GSC'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 have occurred and not been detected. Additionally, 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.

The audit objectives for this audit were selected subsequent to assessing the audit risk and significance of GSC's operations. The areas of assessment included:

- ▲ Nature and profile of GSC and the legal and regulatory requirements applicable to the agency.
- ▲ Internal control environment of GSC.
- ▲ The information systems controls of GSC.
- ▲ Contract provisions and grant agreements.
- ▲ Previous audits of GSC by Legislative Post Audits and corrective actions taken by the agency.
- ▲ Potential for fraud and/or abuse.

To gain an understanding of the nature and profile of GSC, the audit team studied the following applicable rules and regulations:

- ▲ WV Code §18-B
- ▲ WV Code of State Rules Title 133
- ▲ Internal Revenue Code on Taxable Benefits
- ▲ Higher Education Policy Commission Policies and Procedures (HEPC)
- ▲ WV State Treasurer's Office Cash Receipts Handbook

- ▲ WV Budget Office 2012 Expenditure Schedule Instructions
- ▲ GSC's Internal Policies and Procedures

The audit team gained a comprehensive understanding of the organizational structure, internal control environment and systems significant within the context of the audit objectives, and information system controls through conducting interviews and observations of relevant GSC personnel and control procedures. Moreover, we assessed the data reliability of the Banner accounting system GSC employs to assure the data was reliable. The audit team analyzed the contract and grant agreements of GSC to assess the significance and risk factors of each. Furthermore, previous audits conducted by Legislative Post Audit were examined and corrective actions investigated to identify potential ongoing risk areas. Subsequent to the aforementioned actions, the auditors utilized the knowledge gained to identify areas of potential fraud and abuse.

GSC was subjected to an annual audit by independent auditors during fiscal year 2012. We determined the audit work of the independent auditors would not be utilized in our post audit of GSC. We concluded the work of the independent auditors was not relevant to the audit objectives.

## OVERALL SUFFICIENCY OF EVIDENCE

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The auditors determined the overall sufficiency and appropriateness of evidence to provide a reasonable basis to persuade a knowledgeable person the findings and conclusions, within the context of the audit objectives, are supported by sufficient, appropriate evidence and resulted in reasonable findings. The manager reviewed all audit documentation throughout the audit and at the end of audit and concluded the evidence supports our objectives.

All testimonial evidence obtained by the audit team was evaluated for objectivity, credibility, and reliability and was obtained under conditions in which the employee was able to speak freely without intimidation. The employees had direct knowledge of their working area and there was no evidence employees were biased.

The auditors performed and documented an overall assessment of the collective evidence used to support findings and conclusions, including the results of any specific assessments conducted to conclude on the validity and reliability of specific evidence, according to Section 6.69 of the Yellow Book (GAGAS), by documenting internal controls, and performing tests with an appropriate sample size.

The overall evidence obtained was relevant to the objectives and findings. All evidence supported the findings, giving validity in having a reasonable basis for measuring what was being evaluated. The overall evidence was reliable when tested and can be verified and supported. In establishing the appropriateness of the evidence as a whole, the auditors tested reliability by obtaining supporting documentation, used auditor judgment and statistical random sampling for sample determination, obtained original documents when supporting documents were not available in the myApps application on the State Auditor's website, obtained revenue detail from Banner, verified the credibility of testimonial evidence, evaluated analytical review, assessed risk through Internal Control Questionnaires, and used auditor judgment on the overall evidence.

When assessing the sufficiency and appropriateness of evidence, the auditors evaluated the expected significance of evidence to the audit objectives, findings, and conclusions, available corroborating evidence, and the level of audit risk as described in Section 6.71 of the Yellow Book (GAGAS), by using professional judgment and statistical random sampling to determine a sufficient quantity for the testing and to determine the type of evidence needed based on the audit objectives.

The auditors did not identify any limitations or uncertainties in evidence that were significant to the audit findings and conclusions.

GLENVILLE STATE COLLEGE  
JULY 1, 2011 - JUNE 30, 2012

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**SPENDING UNIT CONTACTS**

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Dr. Peter Barr.....President  
Robert Hardman II.....Executive Vice President for Business and Finance  
Duane Chapman.....Vice President for Enrollment Management  
Richard Accord.....Controller  
Joyce Riddle.....Director of Purchasing  
Krystal Smith.....Director of Human Resources  
Thomas Ratliff.....Director of Physical Plant  
Jerry Burkhammer.....Director of Residence Life  
Janet Bailey.....Athletic Director  
Debra Nagy.....Facilities Rental Coordinator  
Debora Spence.....Assistant Accountant, Payroll

## OBJECTIVES AND CONCLUSIONS

### OBJECTIVE 1

**Has the GSC Board of Governors and GSC management ensured the fiscal integrity of operations using best business and management practices?**

*Sub-Objectives:*

- a. Determine if and why the cash reserves of GSC operating funds were being depleted.*
- b. Determine if the GSC residence halls were generating the revenue to maintain the debt service payments required under the bond resolution agreements.*
- c. Determine if adequate internal controls were in place over auxiliary cash receipts.*
- d. Determine if GSC was collecting revenues from the rental of institutional facilities to external parties.*
- e. Determine if GSC was submitting payments for goods and services received in a reasonable amount of time.*
- f. Determine if GSC was executing contracts to individuals or groups that were unnecessary and/or extravagant.*

### CONCLUSION

- a. GSC's financial standing may have been compromised had GSC not received a special appropriation of \$4 million from the WV Legislature and a private donation of \$1.5 million in FY 2013. GSC management should strengthen and regularly monitor internal controls in order to safeguard assets and to ensure compliance with laws, regulations, and contract agreements.

With \$1.5 Million Donation in 4496 and \$4 Million Special Appropriation						
Fund	2009	2010	2011	2012	2013	2014
4496	3,110,983.13	3,174,561.00	2,671,537.66	1,856,994.34	823,712.97	1,497,169.40
4497	224,480.85	493,305.13	679,063.24	264,778.34	362,373.66	284,513.24
4498	1,622,582.42	1,036,904.22	973,639.92	1,438,667.39	1,064,489.50	5,501,327.02
4499	347,464.10	238,978.19	252,491.26	568,107.86	160,689.95	309,435.78
8770	4,889.26	123,447.60	12,262.43	221,547.40	102,485.35	2,373.82
	<b>5,312,408.76</b>					<b>7,596,833.26</b>

Without \$1.5 Million Donation and \$4 Million Special Appropriation						
Fund	2009	2010	2011	2012	2013	2014
4496	3,110,983.13	3,174,561.00	2,671,537.66	1,856,994.34	823,712.97	(2,830.60)
4497	224,480.85	493,305.13	679,063.24	264,778.34	362,373.66	284,513.24
4498	1,622,582.42	1,036,904.22	973,639.92	1,438,667.39	1,064,489.50	1,501,327.02
4499	347,464.10	238,978.13	252,491.26	568,107.86	160,689.95	309,435.78
8770	4,889.26	123,447.60	12,262.43	221,547.00	102,485.35	2,373.82
	<b>5,312,408.76</b>					<b>2,096,833.26</b>

- b. Although revenues generated from the residence halls were sufficient to maintain the debt service payments, GSC awarded tuition waivers in excess of the amount stipulated by WV Code §18B-10-5(b)(1) and did not ensure the number of housing waivers awarded were reasonable.
- c. There was a general lack of internal controls over auxiliary cash receipts including unauthorized imprest funds, comingling of personal moneys with state moneys, no itemized records of moneys received, no receipts issued or no pre-numbered receipts, deposits not made within one business day of collection, and no performance of cash reconciliations.
- d. GSC did not establish nor assess rental fees on a consistent basis and there were outstanding balances from Fiscal Year 2012 rentals totaling \$5,725.
- e. We noted payments reviewed were submitted in a reasonable amount of time with the exception of one vendor (*Refer to Objective 7*).
- f. One contract was deemed to be inappropriate for the failure to properly accept bids for services over \$25,000 annually (*Refer to Objective 7*).

#### RELATED FINDINGS

Finding 5	Lack of Internal Controls over Facility Rentals
Finding 9	Excessive Awarding of Waivers and Lack of Policies over Housing Waivers
Finding 11	Lack of Internal Controls over Auxiliary Cash Receipts

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## OBJECTIVE 2

**Did GSC operate its Purchasing Card Program without significant weakness in internal control and make purchases in accordance with the WV Higher Education Policy Commission (HEPC) purchasing rules and the WV State Auditor’s Office (WVSAO) P-Card Policies?**

#### *Sub-Objectives:*

- a. *Determine if GSC required and enforced itemized receipts to be submitted for purchases made with P-Cards.*
- b. *Determine if GSC P-Cardholders reconciled monthly P-Card statements within a reasonable amount of time.*
- c. *Determine if purchases made by GSC utilizing P-Cards were allowable under HEPC purchasing rules and WVSAO P-Card policies.*

## CONCLUSION

- a. GSC did not fully enforce the requirement for itemized receipts to be submitted for purchases made with P-Cards.
- b. We found P-Card reconciliations were not consistently performed on a timely basis with the days between the Statement Closing Date and the Area Manager's Approval Date ranging from 31 to 176 days for an average of 80 days until reconciled (GSC policy stipulates reconciliation within 30 days).
- c. We also noted ten instances of unallowable P-Card gas purchases totaling \$506.

## RELATED FINDINGS

- Finding 6      Lack of Documentation over P-Card  
Finding 7      Lack of Proper P-Card Reconciliation
- 

## OBJECTIVE 3

**Did GSC operate and maintain a system of inventory management without significant weakness in internal control?**

## CONCLUSION

GSC did not maintain a system of inventory management without significant weakness and does not conduct an annual audit of inventory. We noted a lack of adequate inventory records to allow us to perform a trace of all items reported by the Inventory Manager at GSC. We noted 234 of 1,148 (20%) general inventory records and 865 of 2,442 (35%) computer/electronics inventory records did not include a GSC inventory tag number in the inventory listing. Also, 56 of 1,148 (5%) general inventory items and 127 of 2,442 (5%) computer/electronics inventory records did not include a physical location of where the item could be found. We noted that none of the 53 assets (100%) retired during FY 2012 included the asset retirement date, method of retirement, or the disposal price in the Inventory Management System.

## RELATED FINDINGS

- Finding 1      Inadequate Inventory Records  
Finding 2      Equipment Inventory Discrepancies
- 

## OBJECTIVE 4

**Were taxable benefits provided by GSC included in the salaries and wages of the employees receiving the benefits?**

### *Sub-Objectives:*

- a. *Determine if the value of free or reduced housing was included in the wages of employees receiving such benefits from GSC.*
- b. *Determine if GSC is following Internal Revenue Service regulations with regards to employees claiming a principal place of business other than GSC's main campus.*

## CONCLUSION

- a. We found no instances where GSC provided free or reduced housing to employees that should have been reported as a taxable benefit. The Lease Agreements for faculty housing are the responsibility of the Glenville State College Housing Corporation, a separate non-profit entity; therefore, we determined the Lease Agreements were outside the scope of our audit.
- b. We found no instances where an employee claimed a principal place of business other than GSC's main campus.

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## OBJECTIVE 5

**Did GSC operate and maintain an employee leave system without significant weakness in internal control?**

### CONCLUSION

GSC did not utilize an electronic time tracking system for the employee leave; therefore, the leave records were maintained manually using paper forms and computer software (Microsoft Excel spreadsheets). The leave records were maintained by one employee with no oversight to ensure accuracy which provided the opportunity for inaccuracies as well as for fraud and/or abuse of the manual leave system.

### RELATED FINDINGS

- Finding 12 Lack of Internal Controls for the Leave System
- Finding 13 Lack of Oversight over the Leave Keeper
- Finding 14 Lack of Proper Internal Controls over Absence Reports

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## OBJECTIVE 6

**Did GSC operate and maintain an employee time sheet system for applicable employees without significant weakness in internal control?**

### CONCLUSION

GSC did not utilize an electronic time tracking system or time card system; therefore, employees and student workers manually completed time sheets on paper. Employees and student workers were permitted to take possession of time sheets to submit to the payroll department after a supervisor had signed and approved the time sheet as GSC did not adhere to the written policy that supervisors forward the approved time sheets to the Office of Human Resources.

### RELATED FINDINGS

- Finding 10 Failure to Adhere to Written Policies for Employee Time Sheets

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## **OBJECTIVE 7**

**Did GSC follow HEPC purchasing procedures in regards to payments to contractors and consultants for capital assets?**

### **CONCLUSION**

We found instances of noncompliance with purchasing procedures and contract terms. Out of 80 transactions tested, we noted one instance (1%) of an overdue invoice for \$1,048,470 which consisted of 30 weeks of invoices for campus dining services. Additionally, one contract was deemed to be inappropriate for the failure to properly accept bids for services over \$25,000 annually. However, no exceptions were found in relation to the construction project GSC was undertaking during the audit period.

### **RELATED FINDINGS**

- Finding 3 Inappropriate Contract with Vendor
- Finding 4 Lack of Internal Controls over Contractor Payments
- Finding 8 Purchasing Policies Not Followed

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## **OBJECTIVE 8**

**Has GSC taken corrective action for the previous audit finding concerning the calculation of annual increment?**

### **CONCLUSION**

GSC had not implemented a policy which would ensure the proper calculation of pro-rated annual increment termination pay for separating employees.

### **RELATED FINDINGS**

- Finding 15 Lack of Policies and Procedures on Calculating Annual Increment

## FINDINGS and RECOMMENDATIONS

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### Finding 1

#### Inadequate Inventory Records

#### Condition

We noted a lack of adequate inventory records to allow us to perform a trace of all items reported by the Inventory Manager at GSC.<sup>1</sup> Specifically, we noted 234 of 1,148 (20%) general inventory records did not include a GSC inventory tag number in the inventory listing from GSC's Inventory Management System (IMS).<sup>2</sup> We also noted 865 of 2,442 (35%) computer/electronics inventory records did not include a GSC inventory tag number in the combined inventory listing of electronics reported by the Inventory Manager and individual departments.<sup>3</sup>

We noted 56 of 1,148 (5%) general inventory items and 127 of 2,442 (5%) computer/electronics inventory records did not include a physical location of where the item could be found. We also noted that none of the 53 assets (100%) retired during FY 2012 included the asset retirement date, method of retirement, or the disposal price in the IMS.

Additionally, we noted GSC did not conduct an annual audit of inventory.

#### Criteria

#### Legislative Rule Title 133, Series 30, states in part:

"...13.2.3 The chief procurement officer shall conduct an annual audit of the institution's inventory..."

#### WV HEPC Purchasing Procedures Manual, Section 9.3, states in part:

"The purpose of inventory and inventory management is to track and account for the monies spent for equipment and furnishings so as to protect the assets of the institution...."

At a minimum, the inventory procedures and inventory management system developed by the Chief Procurement Officer shall:

- a. Account for all equipment and furnishings with a value at the time of purchase of \$5,000 or more per unit. An institution may elect to

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<sup>1</sup> We tested general inventory items and electronic items separately.

<sup>2</sup> The IMS was maintained on Excel spreadsheets.

<sup>3</sup> The combined electronic inventory listing may be overstated due to duplicate items that did not contain enough information such as tag number, serial, etc., to determine if a duplicate item was reported.

inventory equipment and furnishings with a value of less than \$5,000 per unit;

- b. Establish a procedure to number and tag all equipment and furnishings required to be inventoried:
- c. Identify the date of acquisition, model number and serial number, if applicable;
- d. Provide a short physical description;
- e. Identify the cost of acquisition, including shipping and installation costs;
- f. Record the location of equipment or furnishings; i.e., the department, or the building and room number;
- g. Provide the purchase order number and account number(s) used to pay for the purchase; and
- h. When retired, indicate the retirement date, method of retirement and disposal price, if applicable....

The Chief Procurement Officer shall perform or provide for an institution-wide audit and inventory of the institution's assets on a schedule consistent with generally accepted accounting standards and as prescribed by law or regulation, when applicable....

The institution's inventory report shall be kept on file in the institution's Purchasing Office and made available to appropriate parties upon request."

**Cause**

All fields were not completed in the fixed assets inventory management spreadsheet by the Inventory Manager because there was no central receiving point at GSC where all information could be gathered and recorded at the time goods arrived on campus. Also, many equipment items were entered into the system by previous Inventory Managers who no longer work at GSC.

During our field work, GSC personnel charged with oversight of the inventory records stated it had been two years since the last physical count of inventory had been conducted due to the time such inspection requires.

**Effect**

Inadequate and incomplete fixed assets inventory records lead to an environment where assets are highly susceptible to theft, misuse and loss. By failing to record all required information fields including the GSC tag number, date of acquisition, model number, serial number, physical description, cost, and detailed location, an inventory trace from the IMS to the physical items becomes very difficult, if not impossible. By failing to record all asset retirement

information in the IMS, the possibility exists that assets were not retired through prescribed retirement methods.

By not conducting annual inventory inspections, thefts or improper use of GSC assets may go unnoticed for a longer period of time.

**Recommendation**

We recommend GSC comply with the WV HEPC Procedures Manual, Section 9.3, by ensuring that the IMS is utilized to record all information available for items purchased for at least \$5,000 and all others elected to be recorded in the system. We also recommend GSC record the retirement date, method, and disposal price into the IMS. Further, we recommend GSC implement a central receiving point on campus to handle all incoming equipment and supplies purchases where proper tagging and recordkeeping can be performed before assets are distributed to end users. Additionally, we recommend GSC conduct an annual audit of equipment inventory. Finally, we recommend GSC utilize the inventory module in Banner or other computer software to maintain inventory records.

**Spending Unit's  
Response**

*(See Appendix C)*

**Finding 2                      Equipment Inventory Discrepancies**

**Condition                      Traced from IMS to Physical Location**

We noted 12 general items and 9 electronic items with original costs totaling \$231,843 were not able to be physically located according to the information recorded in the GSC IMS.<sup>4</sup>

We also noted 9 general items and 13 electronic items were found in locations which were not reflected in the IMS. Items noted as being in incorrect locations included items found in the wrong buildings, items in the wrong rooms, and items that were listed in the IMS with no room numbers.

Finally, we noted nine general inventory items did not have a GSC tag physically attached to the items, although tag numbers were assigned to all of the items noted. All items noted as not having a tag were mobile in nature, including vehicles, machinery, and lawn equipment.

**Traced from Physical Location to IMS**

We noted 8 of 12 (67%) equipment inventory items were not able to be traced from the information found on the item during a physical inspection tracking items back to the IMS records.<sup>5</sup> The items' GSC tag numbers and/or serial numbers were not found after performing a search of the electronic inventory listing maintained by the agency. Additionally, we noted two of the items did not have an asset tag affixed.

**Retired Items**

We noted five of five (100%) retired equipment inventory items were not supported by proper retirement forms.<sup>6</sup> The items were thrown away by the Information Technology Department without any documented approval of disposal method by the Inventory Manager or assessment of salvage value. Many computer items we observed were cannibalized for parts and waiting to be thrown away.

**Criteria                      WV Code §18B-5-7, as amended, states in part:**

“(a)... The Commission, the Council and each governing board shall adopt rules governing and controlling the disposition of all such equipment, supplies and materials...”

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<sup>4</sup> The population was separated into two categories which consisted of 736 general items (excluded items under \$1,000) and 2,442 electronic items. A statistical random sampling tool was used to determine the sample size of 35 items from each category for a total sample of 70. Because the GSC inventory records were lacking information, the sample for each category was selected by professional judgment.

<sup>5</sup> Ten items were selected using professional judgment; two additional items in possession of an independent contractor were also included in the sample.

<sup>6</sup> The population of retired items consisted of 53 items of which 5 were selected by professional judgment for testing.

**WV HEPC Procedural Rule Title 133, Series 30, states in part:**

“...13.2.1...Such inventory shall be kept current at all times...”

**WV HEPC Purchasing Procedures Manual states in part:**

“Section 9.3 The purpose of inventory and inventory management is to track and account for the monies spent for equipment and furnishings so as to protect the assets of the institution...”

At a minimum, the inventory procedures and inventory management system developed by the Chief Procurement Officer shall:

- i. Account for all equipment and furnishings with a value at the time of purchase of \$5,000 or more per unit. An institution may elect to inventory equipment and furnishings with a value of less than \$5,000 per unit;
- j. Establish a procedure to number and tag all equipment and furnishings required to be inventoried:
- k. Identify the date of acquisition, model number and serial number, if applicable;
- l. Provide a short physical description;
- m. Identify the cost of acquisition, including shipping and installation costs;
- n. Record the location of equipment or furnishings; i.e., the department, or the building and room number;
- o. Provide the purchase order number and account number(s) used to pay for the purchase; and
- p. When retired, indicate the retirement date, method of retirement and disposal price, if applicable....

The Chief Procurement Officer shall perform or provide for an institution-wide audit and inventory of the institution's assets on a schedule consistent with generally accepted accounting standards and as prescribed by law or regulation, when applicable....

The institution's inventory report shall be kept on file in the institution's Purchasing Office and made available to appropriate parties upon request.

Section 10.3.1 All inventories of surplus equipment, supplies, and materials sold shall be kept as public record open to public inspection for a period of two (2) years.”

**Cause**

Items were not able to be physically located due to asset disposal, retirement, or re-location that was not documented properly in the GSC IMS. Items’ locations were not accurately tracked because the form to be completed by the department moving or disposing of assets is not required. Also, some older inventory items were determined to be lost or disposed of and never removed from the IMS. One laptop computer was not returned by a student, was never removed from the inventory, and a police report was not filed because a hold was placed on the student’s account in Banner for the estimated value of the laptop. Information technology equipment was taken out of the IMS for retirement and was thrown away because the GSC Information Technology Office deemed them to be damaged or broken, although many computers had been cannibalized for individual parts before disposal. The proper retirement forms were not available for our review because all retired items selected for testing had been thrown away with no documented approval to do so. Vehicles were not tagged because GSC believed the Vehicle Identification Numbers were sufficient.

**Effect**

Failing to update the IMS when an asset is disposed of or relocated creates an environment where risk of theft and/or fraud is greatly increased. By failing to record all asset retirement information in the IMS, the possibility exists that assets were not retired through approved retirement methods. By throwing away items without documented approval of retirement method, GSC is losing any remaining salvage value of items that could have been recovered through approved disposal methods and the possibility exists that items could have been taken home and/or sold privately as no documentation exists for items that were thrown away other than the removed tag and a listing noting “IT throw away”.

By allowing employees to take state property to their homes and leave the property at home during work hours, the risk of fraud, theft, or misuse is greatly increased. By failing to tag state property included as Inventory, the risk of theft and/or fraud is increased.

**Recommendation**

We recommend GSC comply with WV Code §18B-5-7 and WV HEPC Procedural Rule Title 133, Series 30, by maintaining a complete and current inventory. We recommend GSC comply with the WV HEPC Purchasing Procedures Manual by properly tracking and accounting for the monies spent for equipment and furnishings so as to protect the state’s assets and by ensuring that proper records for all surplus equipment sales are kept on file and open for public inspection. We also recommend GSC make the “Inventory Relocation/Disposal

Form” a mandatory form for all departments using state-owned inventory items. We further recommend GSC properly affix asset tags to all state-owned equipment, vehicles, etc.

**Spending Unit's  
Response**

*(See Appendix C)*

**Finding 3****Inappropriate Contract with Vendor****Condition**

We noted an inappropriate contract for the purchase of photography services over \$25,000 which was not properly bid out and which did not fall into the definition of a sole source provider.<sup>7</sup> The 11 instances are listed below:

Document ID	Vendor	Date	Amount
I661200210	Vendor 1	8/4/2011	*\$3,088
I012445922	Vendor 1	9/8/2011	\$3,088
I012445931	Vendor 1	9/12/2011	\$3,088
I012580248	Vendor 1	11/23/2011	\$3,088
I012580564	Vendor 1	11/23/2011	\$3,088
I012580568	Vendor 1	11/23/2011	\$3,088
I012845841	Vendor 1	2/13/2012	\$3,088
I013303959	Vendor 1	4/25/2012	\$2,837
I013303966	Vendor 1	4/25/2012	\$167
I013459547	Vendor 1	6/15/2012	\$3,088
I013459542	Vendor 1	6/15/2012	\$3,088
<b>TOTAL</b>			<b>\$30,796</b>

\* Represents a reimbursement for services provided by the vendor.

We also noted the total expenditures for the vendor from fiscal year 2007 to present totaled \$202,669 (including FY 12 transactions listed above). Based on the amounts of these transactions, photography services should have been bid upon beginning in fiscal year 2009 as we determined the services rendered were not defined as a sole source provider and exceeded the \$25,000 annual threshold requirement for the competitive bidding process.

**Criteria****WV Code §18B-5-4 (b)(5) states in part:**

“Bids are advertised on all purchases exceeding \$25,000, and made by means of sealed or electronically-submitted bids and competitive bidding or advantageous purchases effected through other accepted governmental methods and practices. Competitive bids are not required for purchases of \$25,000 or less...”

**WV HEPC Procedural Rule Title 133, Series 30, states in part:**

“Section 2.1.13 Sole Source” means only one vendor can supply the desired product or service.

Section 8.11.1 Competitive sealed bidding is the preferred method for purchase and acquisition of materials, supplies, equipment, services, construction and printing greater than \$25,000.

<sup>7</sup> All 11 transactions for FY 12 regarding this vendor were included in the sample due to suspicion of fraud/abuse.

Section 8.11.2 The chief procurement officer shall advertise for bids on all purchases exceeding \$25,000. The advertisement shall appear no less than 14 calendar days prior to the date bids are due.

Section 8.15.1 The chief procurement officer may approve the purchase of materials, supplies, equipment, services, construction and/or printing directly from a vendor without competitive bid or proposals, if any of the following conditions exist: (a) the item cannot be obtained through ordinary purchasing procedures; (b) the item is of unique nature and not available from any other source; or (c) the item is available from a state spending unit or other institution with preference under the West Virginia State Code, provided the price, availability and quality are comparable to those in the open market..."

**Cause** GSC failed to follow WV State Code and HEPC purchasing procedures regarding purchases of products and services over \$25,000 and sole source providers. Upon our written inquiry to the GSC President, he responded that the vendor has been considered a sole source provider of professional photography.

**Effect** Because GSC did not follow proper purchasing procedures for purchases over \$25,000 and sole source providers, this may have led GSC to purchase products and services from vendors who do not provide the least expensive and/or most competitive products and services.

GSC expended additional monies for services which could have been provided by the GSC Public Relations Department.

**Recommendation** We recommend GSC follow WV Code §18B-5-4(b)(5) and the WV HEPC Procedural Rule Title 133, Series 30, on purchasing products and services over \$25,000 and regarding sole source providers. We also recommend the purchases to the respective vendor be stopped and a proper bid proposal for photography services over \$25,000 be completed before photography services at GSC are continued by vendors outside of GSC. Furthermore, we recommend that cost-effective measures be implemented by utilizing the GSC Public Relations Department to provide photography services for GSC.

**Spending Unit's Response** *(See Appendix C)*

**Finding 4****Lack of Internal Controls over Contractor Payments****Condition**

Of 80 transactions tested, we noted one instance (1%) of an overdue invoice for \$1,048,470, which consisted of 30 weeks of invoices for campus dining services from August 23, 2011 to April 10, 2012.<sup>8</sup> The transaction is detailed below:

DOC ID	Vendor	Date	Amount
I661202260	Vendor 2	4/23/2012	<b>\$1,048,470</b>

We also noted two transactions tested (3%) from object code 025 which:

- lacked itemized receipts and invoices,
- were unallowable purchases,
- were unallowable employee reimbursements,
- had no WV-48 forms provided with the transactions, and
- allowed GSC to accept liability if a non-vendor was injured.

The transactions were for the payment of painting, wallpapering, and cleaning services. The GSC President received reimbursement from GSC after paying two individuals to perform these services at the President's home on the GSC campus. The two instances are listed below:

DOC ID	Vendor	Date	Invoiced Amount
I661201313	Vendor 3	12/28/2011	\$1,008
I661200294	Vendor 3	10/21/2011	<u>\$ 450</u>
<b>TOTAL</b>			<b>\$1,458</b>

We noted one instance where the vendor was not paid within the contract terms of fiscal year 2012, but was paid in the fiscal year of 2013.

DOC ID	Vendor	Date	Amount
I661302088	Vendor 4	3/8/2013	<b>\$9,600</b>

Finally, we noted two transactions (3%) from object code 025 which had incorrect amounts paid on invoices resulting in underpayment of \$190. A detailed listing is below:

DOC ID	Date	Vendor	Amount Paid	Audited Amount Due	Difference
E000933139	2/16/2012	Vendor 5	\$104	\$242	(\$138)
E000936964	3/20/2012	Vendor 5	<u>\$416</u>	<u>\$468</u>	<u>(\$52)</u>
<b>TOTALS</b>			<b>\$520</b>	<b>\$710</b>	<b>(\$190)</b>

<sup>8</sup> The population consisted of 279 transactions. We reviewed 160 transactions due to suspicion of fraud/abuse and included 38 of those in the sample. Additionally, the sample consisted of 32 transactions determined by a random sample and 10 transactions related to a construction project at GSC for a total sample size of 80 transactions.

**Criteria**

**WV Code §6B-2-5, as amended, states in part:**

“(b) (1). A public official or public employee may not knowingly and intentionally use his or her office or the prestige of his or her office for his or her own private gain or that of another person...”

**WV HEPC Procedural Rule Title 133, Series 30, Purchasing, Section 4, states in part:**

“Pursuant to West Virginia Code §18B-5-4, the Commission and Council shall jointly adopt rules governing and controlling acquisitions, purchases and inventory management of materials, supplies, equipment, services, construction and printing, and the disposal of obsolete and surplus materials, supplies, and equipment.”

**WV Legislative Rule Title 155, Series 1-3, Section 3.1, states in part:**

“Itemization. –All invoices submitted to the Auditor for payments shall contain the following:

- 3.1.a An Itemized description indicating the type of materials, supplies or service provided;
- 3.1.b An invoice or order date and the date of service, if the item to be paid is a service; and
- 3.1.c Any additional information required by the Auditor...”

**WV Budget Office 2012 Expenditure Schedule Instructions for Object Code 025 state in part:**

“...A written agreement **(WV-48 or equivalent) is required...**” **(Emphasis Added)**

**Contract between GSC and Vendor 2 states the following:**

“PAYMENT TERMS: All legitimate, uncontested invoices submitted by VENDOR to CLIENT for goods or services previously delivered shall be processed by the CLIENT and forwarded to the State Auditor within ten (10) days and paid within thirty (30) days of the invoice date. The CLIENT has no statutory authority to pay interest or late fees.”

**Contract between GSC and Vendor 4 states the following, in part:**

“A. In consideration for work performed, the College will pay \$9,600 lump sum total....

The delivered work products will be completed and submitted on or before March 30, 2012, in compliance with the federal deadlines....”

**Cause**

GSC failed to follow HEPC purchasing procedures regarding adequate registration of vendors regarding the forms WV-96 and WV-48.

GSC failed to pay the correct amount on invoices. Payments to Vendor 2 were not paid in a timely manner and several months' invoices were paid at one time. The GSC Controller stated that the invoices were not paid while GSC was awaiting contract approval from the WV Attorney General's Office for the contract with Vendor 1.

GSC Accounts Payable staff explained that the invoices from Vendor 5 contained unpaid balances that were the responsibility of an employee of Vendor 5 who is assigned to WV Higher Education, but maintains an office on the GSC campus.

A representative from the GSC President's Office provided the following response as to why GSC personnel had not performed the services for the painting, wallpapering, and cleaning of the President's home: "During this period, GSC was in Phase II and III of major renovation and construction of the Morris Criminal Justice Center. Physical Plant staff was fully deployed in the renovations to meet deadlines for the building's tenancy by College academic units-criminal justice student laboratories-and external groups-the state Department of Military Affairs Corrections Training Unit.

College administration determined that hiring specialized external workers for painting and wallpapering would be more cost-effective than re-deploying Physical Plant construction staff during the subject period."

**Effect**

Because invoices were not paid in a timely manner, GSC was in default of the contract with Vendor 2. Vendor 2 could have stopped the sale of goods or services to students and/or assessed late fees to GSC. Students who prepaid for semester meals would have not received the goods and services they paid for if the dining services would have been stopped.

Because the Agreement Form WV-48 was not submitted, the work was done for the GSC President without the proper independent contractor agreement form (WV-48); therefore, this allowed GSC to take on added liability if either independent contractor had injured themselves on the job.

Since the proper procedures for maintenance to the President's house were not followed, the purchase of services by and reimbursement to the President of GSC is unallowable. The President's house is the property of GSC, therefore, maintenance such as painting, cleaning and wallpapering should be performed by GSC classified staff. Because the appropriate maintenance steps were not followed, possible liability issues could arise if a non-vendor worked on the President's house and was injured. Additionally, the payment was not issued as a payment to an independent contractor, but as an employee reimbursement.

**Recommendation**

We recommend GSC comply with WV Code §6B-2-5; WV HEPC Procedural Rule Title 133, Series 30; WV Legislative Rule Title 155, Series 1-3; and the contract terms for vendor services. We recommend GSC pay all vendors in a timely manner. We also recommend GSC follow all steps regarding West Virginia vendor registration (W-9) and submitting Agreement Form WV-48 in a timely manner for contracted services/work along with all supporting documentation such as itemized receipts and invoices. Additionally, we recommend GSC utilize classified staff for routine maintenance such as painting, cleaning and wallpapering. Lastly, we recommend Vendor 5 send separate invoices to their employee assigned to WV HEPC who is responsible for payment.

**Spending Unit's  
Response**

*(See Appendix C)*

## **Finding 5**

### **Lack of Internal Controls over Facility Rentals**

#### **Condition**

We noted various instances of missing documentation, rental fees not established nor assessed, and outstanding balances from Fiscal Year 2012 rentals.<sup>9</sup>

Eighty-four of the 98 (86%) opportunities to receive revenues tested, had the following exceptions:

- 49 of 98 (50%) instances tested were not charged for the use of GSC facilities. For nine of these instances, the Facilities Rental Coordinator stated that the activity was "In Kind".
- 80 of 98 (82%) instances tested had no Rental Agreement for the use of the facility.
- 4 of 98 (4%) instances tested had Rental Agreements; however, the Rental Agreements were not signed by the Facilities Rental Coordinator; therefore the contract was not binding.
- For one of 98 (1%) instances tested, the amount paid for the facility usage does not match the invoiced amount resulting in an underpayment of \$50.
- For one of 98 (1%) instances tested, GSC had a verbal agreement with Gassaway - Glenville Physical Therapy Specialists (GGPTS) allowing facility rentals of \$350 instead of the agreed upon amount of \$700 per month due to financial hardship of Gassaway. During the billing period of 11/1/2011 - 6/30/2012 the agreement was no longer in effect; however, GGPTS did not realize that the agreement was no longer active. GSC accepted the payment of \$350 per month as full payment for this billing period. Additionally, GGPTS made a lump sum payment of \$5,200 on 6/1/12 which included amounts owed from FY 11 and all of FY 12.

Additionally, we found four instances where the organization was billed, however payment was never received. The details of the outstanding balances are noted below.

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<sup>9</sup> GSC provided a listing of facility rentals and Rental Agreements; however, the policy for facility rentals was not consistently enforced by GSC. Therefore, there may have been more instances of rentals which were not included in our population of 98 rentals.

Starting Date	Ending Date	Activity	Amount Billed
7/15/2011	7/17/2011	Track and Field Camp (Dorm Invoice)	\$ 180
9/2/2011	11/4/2011	Gilmer County High School Varsity	\$ 1,600
9/8/2011	10/6/2011	Gilmer County High School Mini Titan	\$ 900
6/11/2012	6/13/2012	Higher Education and K12 Summer Summit	<u>\$ 3,045</u>
<b>TOTAL</b>			<b>\$ 5,725</b>

**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....”

**GSC Administrative Policy 5, Section 5.3, states in part:**

“...3.2 Use of campus facilities by noncampus individuals or organizations will be permitted within the following guidelines: ...(c) A standard rental/lease agreement accompanied by evidence of such insurance protection as may be required to adequately protect the College shall be executed by the campus sponsor and also be signed by a responsible officer of the noncampus organization desiring to use a campus facility...”

**GSC Administrative Policy 5, Section 5.4, states in part:**

“...4.1 (c) A formal agreement shall be developed and signed by an authorized Representative of the group or unit responsible for the program and the President or his designee. Said agreement shall establish the responsibilities of the College and the sponsor, including detailed financial obligations to the College from revenues. All agreements must ensure that the College will receive reimbursement for all identifiable direct and indirect costs;...”

**Cause**

GSC management did not enforce the policies and procedures developed for facility rentals by GSC Board of Governors.

GSC management did not verify that Rental Agreements were utilized and in place to form a binding agreement. GSC management also did not ensure that revenues were received for facility rentals.

**Effect**

The purpose of signing a Rental Agreement is to have a binding contract in order to protect the owner’s interest, in this case, state property. Without contracts, or signatures on the contracts, neither the Lessee nor the Lessor is obligated to

fulfill the contract. Additionally, renting facilities without a Rental Agreement exposes the College to the risk of legal liability.

The purpose of charging for the use of GSC facilities is to acquire additional revenue as well as to pay for the direct and indirect expenses that are incurred during the activity. By not consistently charging fees for facilities rentals, GSC is allowing state property to be utilized without remuneration and foregoing the opportunity to receive additional revenue.

Without the presence of Rental Agreements and a fee schedule, the auditors were not able to determine the amount of revenue GSC should have collected for facilities rental during FY 12.

**Recommendation**

We recommend GSC comply with WV Code §5A-8-9 and GSC Administrative Policy 5 to execute a standard rental/lease agreement accompanied by evidence of such insurance protection for all non-state employees as may be required to adequately protect the College. Also, we recommend GSC develop a formal agreement with state employees to establish the responsibilities of the College and the sponsor, including detailed financial obligations to the College from revenues. All agreements should ensure that the College will receive reimbursement for all identifiable direct and indirect costs. Additionally, we recommend GSC develop a fee schedule for facility rentals and verify that revenues are received for facility rentals.

**Spending Unit's  
Response**

*(See Appendix C)*

## Finding 6

### Lack of Documentation over P-Card

#### Condition

We noted 28 instances totaling \$2,929 where itemized receipts were not supplied with monthly P-Card statements.<sup>10</sup> Since the itemized receipts were not presented upon reconciliation, this lack of documentation allows for possible payment of unallowable purchases to be processed on behalf of a P-Cardholder at GSC.

We noted the transactions for which itemized receipts were not provided consisted mainly of purchases at restaurants and general merchandise stores and that 64% of the purchases were made by cardholders in the GSC Athletics Department.<sup>11</sup>

Next, we noted ten instances of unallowable P-Card gas purchases totaling \$506. Five of these instances had itemized receipts, but no support documentation. The other five instances did not have itemized receipts or support documentation.

In addition to the above transactions, we determined five transactions totaling \$932 were unallowable personal purchases on the GSC P-Card at restaurants and general merchandise stores. These five transactions did not have itemized receipts or support documentation; four of the transactions were made by cardholders in Student Support and one transaction by a cardholder in the Business Office.

#### Criteria

#### WV Code §5A-8-9(b) states in part:

“...The head of each agency shall: 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 Legislative Rule Title 155, Series 1, states in part:

**“3.1. Itemization.** –All invoices submitted to the Auditor for payments shall contain the following: 3.1.a **An Itemized description** indicating the type of materials, supplies or service provided; 3.1.b An invoice or order date and the date of service, if the item to be paid is a service; and 3.1.c Any additional information required by the Auditor...” **(Emphasis Added)**

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<sup>10</sup> The P-Card population of 5,785 transactions totaled approximately \$1,863,991. Three months (1,771 transactions) totaling \$522,641 were selected for the sample based upon seasonal spending habits of the agency and the months in which the auditors believed fraud was most likely to occur, in particular, the beginning and ending of a semester (September, November and April). In addition, one employee’s P-Card transactions and P-Card transactions for two individual departments were included in the test due to suspicion of fraud.

<sup>11</sup> We noted 28 instances of missing itemized receipts as follows: 18 from Athletics Department, 8 from Student Support Services, 1 each from the Print Shop and Fine Arts Department.

**WV State Auditor’s Office Purchasing Card Policies and Procedures Manual, states in part:**

“Section 6.3 Approved business expenses generated while engaged in job-related activities away from the regular place of employment may be placed on a P-Card. Purchasing card authorized travel expenses include, but are not limited to the following:

- registration fee payments
- airline ticket payments
- vehicle rental payments (commercial or state-owned)
- gasoline for rental vehicles (commercial or state-owned)
- other transportation tickets
- hotel folio payments including business related costs such as business phone charges and business internet access.

Section 7.1 Except where otherwise exempted by statute or rule, **an itemized receipt must be obtained for each transaction** placed on the P-Card. The receipt must be legible, itemized (reflecting the goods or services purchased), and contain the vendor name, date of purchase and price of items. Receipt documentation may be paper or electronic and shall be retained by the Spending Unit...” **(Emphasis Added)**

**Cause** GSC management did not communicate, monitor, or enforce the policies and procedures developed for P-Cards.

**Effect** Because the proper P-Card documentation (itemized receipt) was not provided with the monthly P-Card statement, unallowable P-Card purchases could be paid for by GSC.

**Recommendation** We recommend GSC comply with WV Code §5A-8-9(b), WV Legislative Rule Title 155, Series 1, and WV State Auditor’s Office Purchasing Card Policies and Procedures Manual and ensure all monthly P-Card statements are supported by itemized receipts and necessary support documentation.

**Spending Unit’s Response** *(See Appendix C)*

**Finding 7****Lack of Proper P-Card Reconciliation****Condition**

We noted 43 instances where monthly P-Card statements were not reconciled on a timely basis. We noted the days between the Statement Closing Date and the Area Manager's Approval Date ranged from 31 to 176 days for an average of 80 days. Reconciliations were considered untimely if the days between the Statement Closing Date and the Area Manager's Approval Date were greater than 30.

Next, we noted there were 13 instances where monthly P-Card statements could not be reconciled because they lacked the date where the Area Manager signs. Due to the date missing, the date could not be compared to the Statement Closing Date to verify if the P-Card statement was reconciled in a timely manner. Two of the 13 instances were also lacking the GSC Purchasing Card Audit Form. Due to the lack of documentation, no comparison could be made of any dates to determine whether a P-Card reconciliation was done on a timely basis as is in regards to the rules established by the GSC Purchasing Card Policies and Procedures.

We noted one P-Card statement could not be reconciled because the GSC Purchasing Card Log Sheet was missing.<sup>12</sup> Due to the lack of documentation, no comparison could be made to determine if the reconciliation for the P-Card statement was done in a timely manner as in regards to the rules established by the Glenville State College Purchasing Card Policies and Procedures.

We also noted there were two instances where additional purchases of \$2,754 had been made after the Area Manager signed the GSC Purchasing Card Log Sheet.<sup>13</sup> We noted both cardholders are employed in the Athletics Department at GSC.

**Criteria****WV Code §5A-8-9(b) states in part:**

"...The head of each agency shall: 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...."

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<sup>12</sup> The P-Card population of 5,785 transactions totaled approximately \$1,863,991. Three months (1,771 transactions) totaling \$522,641 were selected for the sample based upon seasonal spending habits of the agency and the months in which the auditors believed fraud was most likely to occur, in particular, the beginning and ending of a semester. In addition, one employee's P-Card transactions and P-Card transactions for two individual departments were included in the test due to suspicion of fraud.

<sup>13</sup> One employee made three purchases totaling \$311 for hotels; one employee made nine purchases totaling \$2,443 for restaurants and general merchandise.

**WV Code §18B-5-4 states in part:**

“(a) The council, commission and each governing board shall purchase or acquire all materials, supplies, equipment, services and printing required for that governing board or the council or commission, as appropriate, and the state institutions of higher education under their jurisdiction...

(b) The commission and council jointly shall adopt rules governing and controlling acquisitions and purchases in accordance with this section...”

**WV State Auditor’s Office P-Card Policies and Procedures Manual, Section 7.0, states in part:**

“Cardholders are responsible for the review, acknowledgement or dispute of all transactions that appear on their P-Card statement. Documentation must be obtained for each transaction placed on the P-Card and must be available upon request by the State Auditor’s Office P-Card Division. Documentation may include itemized receipts, log sheets (manual or electronic), individual statements, or any other documentation required by applicable laws, rules and regulations, P-Card Policies and Procedures, and other governing instruments.

The reconciliation process should include a knowledgeable and independent review of documentation, receipts, and transaction reports. Each Spending Unit is required to develop and maintain accounting and internal controls that ensure P-Card usage is consistent with applicable laws, rules and regulations, P-Card Policies and Procedures, and other governing instruments and to develop guidelines for distribution to cardholders. The reconciliation process should be documented.”

**GSC P-Card Policies and Procedures, Section 7.0, state in part:**

“**Within 30 days of the closing of the statement period** all supporting documentation for each transaction should be approved by the area supervisor and forwarded to the College P-Card Office... In addition, a P-Card log must be submitted with each month’s back-up documentation. The P-Card log should be updated throughout the month as items are received. The completed log along with back-up documentation must be signed by the P-Card holder and given to the person with budgetary responsibilities in the P-card holder’s area for review....” **(Emphasis Added)**

**Cause**

GSC management did not communicate, monitor, and enforce the policies and procedures developed for Purchasing Cards.

**Effect**

Due to the lack of documentation, the absence of the GSC Purchasing Card Log Sheet, the P-Card statement could not be properly reconciled. An untimely reconciliation could lead to unallowable purchases being paid for by GSC.

Due to the lack of internal controls over P-Card reconciliation procedures, it is possible for accidental charges, convenience fees, or unallowable purchases to be paid for on behalf of an employee by GSC.

**Recommendation**

We recommend GSC comply with WV Code §5A-8-9(b), §18B-5-4, the WV State Auditor's Office P-Card Policies and Procedures Manual, and the GSC P-Card Policy and Procedures as stated above. We also recommend that GSC ensure the GSC P-Card Audit Forms and GSC Log Sheets are attached to the monthly P-Card statement along with all necessary support documentation, and be signed and dated within 30 days of the Statement Closing Date for a timely reconciliation.

**Spending Unit's  
Response**

*(See Appendix C)*

**Finding 8**

**Purchasing Policies Not Followed**

**Condition**

We noted one instance out of 80 transactions (1%) where a one-time purchase did not have a purchase order or contract.<sup>14</sup> The transaction did not follow the proper competitive sealed bidding process for a purchase over \$25,000. The purchase was solely authorized by the GSC President. The transaction in which purchasing procedures were not followed is described below:

DOC ID	Vendor	Date	Amount
I661200200	Vendor 6	8/2/2011	\$30,000

Finally, we noted one instance out of 80 transactions (1%) where the purchase order change order for transaction I661202523 was not updated to match the current charges being paid. The change order associated with transaction I661202523 was for transaction I661201905.

DOC ID	Vendor	Date	Amount
I661202523	Vendor 7	5/17/2012	\$3,250

**Criteria**

**WV Code §5A-8-9(b) states in part:**

“...The head of each agency shall: 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-5-4(5) states in part:**

“...Bids are advertised on all purchases exceeding \$25,000, and made by means of sealed or electronically-submitted bids and competitive bidding or advantageous purchases effected through other accepted governmental methods and practices. Competitive bids are not required for purchases of \$25,000 or less.”

**WV HEPC Procedural Rule Title 133, Series 30, Purchasing, states in part:**

“Section 8.11.2 The chief procurement officer shall advertise for bids on all purchases exceeding \$25,000. The advertisement shall appear no less than 14 calendar days prior to the date bids are due.

<sup>14</sup> The population consisted of 269 transactions for Object Code 025. A random statistical sample size of 32 items for Object Code 025 was selected for testing. Using professional judgment, all 10 transactions for Object 120 and 122 were also included in the sample. Due to suspicion of fraud, we included an additional 42 transactions to the sample. The sample size tested was 80 transactions.

Section 8.15.1 The chief procurement officer may approve the purchase of materials, supplies, equipment, services, construction and/or printing directly from a vendor without competitive bid or proposals, if any of the following conditions exist: (a) the item cannot be obtained through ordinary purchasing procedures; (b) the item is of unique nature and not available from any other source; or (c) the item is available from a state spending unit or other institution with preference under the West Virginia State Code, provided the price, availability and quality are comparable to those in the open market....”

**Cause** Competitive bids were not advertised for a transaction over \$25,000 in accordance with purchasing rules established by the Higher Education Policy Commission.

The GSC Director of Purchasing explained that the incorrect purchase order change order for had been used for Doc ID I661202523 in error because of the like amounts (both change orders were for the same amount). Change order 4 should have been used instead of change order 2.

**Effect** Because GSC did not follow proper purchasing procedures for purchases and sole source providers, this may lead GSC to purchase products and services from vendors who do not provide the least expensive and/or most competitive products and services.

**Recommendation** We recommend GSC follow WV Code §5A-8-9(b), WV Code §18B-5-4(5), and HEPC Procedural Rule Title 133, Series 30, for the purchasing of all products and services.

**Spending Unit's Response** *(See Appendix C)*

**Finding 9 Excessive Awarding of Waivers and Lack of Policies over Housing Waivers**

**Condition** We expanded the scope of our audit to review housing and tuition/fee waivers for Fiscal Years 2009-2013 and noted the following items.

Although there are no stipulations on the amount of housing waivers permitted, we determined the 10% cap provided by GSC Board of Governor (BOG) Policy 44 for tuition and fees was an adequate reasonable standard for housing waivers. Therefore, housing waivers for Fiscal Years 2012 and 2013 exceeded the reasonable standard at 11% of all tuition/fees assessed for all FTE undergraduate students registered during the prior year's fall semester.

Tuition and fee waivers for Fiscal Year 2013 were above the reasonable standard at 12% of all tuition/fees assessed for all FTE undergraduate students registered during the prior year's fall semester.<sup>15</sup>

**Criteria** **WV Code §18B-10-5(b)(1) states:**

“An institution may not have in effect at any time undergraduate fee waivers totaling more in value than **five percent** of the tuition and required fees assessed for all full-time equivalent undergraduate students registered during the fall semester of the immediately preceding academic year.” **(Emphasis Added)**

**GSC Tuition and Fees Policy 44 states in part:**

“...2.2 State law allows each state institution of higher education to grant tuition waivers totaling no more than **ten percent (10%)** of the value of tuition and fees assessed for all FTE undergraduate students registered during the previous fall semester. By adoption of this policy, the Glenville State College Board of Governors adopts the statutory value...”\* **(Emphasis Added)**

**Cause** GSC BOG Policy 44 permits GSC to use the amount of ten percent of the total of the preceding fall semester tuition and fees as the amount of waivers that may be issued. However, in the 2011 Legislative session, WV Code §18B-10-5(b)(1) was changed to allow only five percent of the total of the preceding fall semester tuition and fees to be used as the total amount of tuition and fees that may be waived. It appears GSC was using waivers to increase student enrollment and to attract student athletes. Additionally, GSC did not follow its internal BOG policy.

**Effect** By awarding more waivers than allowed by WV Code, GSC was hindering its ability to maximize revenue from housing, tuition and fees for the College. By not having a policy to restrict or limit housing waivers, housing waivers also

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<sup>15</sup> We noted WV Code had been amended during the 2011 Legislative session whereby §18B-10-1(l)(5)(F) was repealed. The repealed section had allowed ten percent instead of five percent. GSC's current policy still reflects the repealed WV Code section. Since the Code was amended during the period under review, we determined to base reasonableness on ten percent.

reduce the ability to maximize revenues for GSC and may be predominately awarded to student athletes.

**Recommendation**

We recommend that GSC change its BOG Policy 44 to allow five percent of total tuition and fees of all full-time equivalent undergraduate students registered for the fall semester of the preceding academic year in compliance with WV Code §18B-10-5(b)(1). We also recommend GSC implement an institutional policy which restricts housing waivers to ensure the fiscal standing of the College. Additionally, we recommend GSC monitor the awarding of waivers to ensure that waivers are not predominately awarded to student athletes and to consider the retention/graduation rate of those students receiving waivers.

**Spending Unit's  
Response**

*(See Appendix C)*

<b>Finding 10</b>	<b>Failure to Adhere to Written Policies for Employee Time Sheets</b>
<b>Condition</b>	GSC does not utilize an electronic time tracking system or time card system. GSC employees and student workers complete manual time sheets on paper. Time sheets are submitted to supervisors for approval and a supervisor's signature is required before being submitted to payroll. Employees and student workers are permitted to take possession of time sheets to submit to the payroll department after a supervisor has signed and approved the time sheet.
<b>Criteria</b>	<p><b>WV Code §18B-5-9 states in part:</b></p> <p>“(a) The governing boards shall ensure the fiscal integrity of their operations using best business and management practices... (1) The practices include at least the following... (B) Operating without material weakness in internal controls...”</p> <p><b>GSC Classified Employee Handbook, page 12, section entitled SUBMISSION OF TIME SHEETS, states:</b></p> <p>“You should submit your monthly <b>time sheet</b> and employee absence report (If you are a nonexempt employee) or just your employee absence report (if you are an exempt employee) to your supervisor by 4:00 p.m. on the last working day of each month, or as reasonably possible thereafter. <b>Supervisors sign and forward these forms to their respective Vice President or to the Office of the President, and subsequently to the Office of Human Resources</b>, which uses them to calculate your leave balances and retains them for audit purposes.” <b>(Emphasis added).</b></p>
<b>Cause</b>	GSC management has not enforced the written policy prohibiting employees and student workers from possessing time sheets subsequent to supervisory approval.
<b>Effect</b>	GSC is exposed to the risk of payroll fraud. Employees and student workers are presented the opportunity to place additional hours of work on time sheets after the time sheet has been approved.
<b>Recommendation</b>	We recommend that GSC comply with WV Code §18B-5-9 and the GSC Classified Employee Handbook and prohibit employees and student workers from possessing time sheets subsequent to supervisory approval.
<b>Spending Unit's Response</b>	<i>(See Appendix C)</i>

**Finding 11**

**Lack of Internal Controls over Auxiliary Cash Receipts**

**Condition**

We found a general lack of controls throughout auxiliary cash collections, including unauthorized imprest funds, comingling of personal moneys with state moneys, no itemized records of moneys received, no receipts issued or no pre-numbered receipts, deposits not made within one business day of collection, and no performance of cash reconciliations.<sup>16</sup>

**Criteria**

**WV Code §18B-5-9 states in part:**

“(a) The governing boards shall ensure the fiscal integrity of their operations using best business and management practices... (1) The practices include at least the following... (B) Operating without material weakness in internal controls...”

**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...”

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

**Legislative Rule Title 112, Series 3, Section 3.1, states in part:**

“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 Treasurer shall determine whether the application is complete and whether the need for the imprest fund is valid...”

**GSC Cash Collection Procedures state in part:**

“... (c) Pre-numbered receipts are to be issued for each cash collection. Daily the cash collections are to be reconciled with the receipts, noting the receipt number sequence. Any missing numbers must be documented. (d) A daily log of receipt numbers and cash collected is to be kept... (f) Cash collections are to be deposited at the Cashier’s Office on a daily basis...”

**Cause**

GSC management did not communicate, monitor, and enforce the policies and procedures developed for cash collections.

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<sup>16</sup> Auxiliary cash collection sites: Registrar, Fine Arts, Campus Safety, Library, Athletics, Admissions, Facilities Rental, Post Office, Swimming Pool, Campus Health, Fitness Center, High Adventure, Student Activities, and various Educational Departments.

**Effect** GSC is exposed to the risk of theft and misappropriation of cash. In addition, the lack of communication and monitoring sets a poor “tone at the top”, eroding the control environment of the College.

**Recommendation** We recommend that GSC comply with WV Code §18B-5-9 and §12-2-2, WV Legislative Rule Title 112, Series 3, Section 3.1, and GSC Cash Collection Procedures. To facilitate compliance, we recommend GSC apply to the State Treasurer’s Office for establishment of imprest funds in locations the College deems necessary. Additionally, we recommend GSC management provide training to employees on the cash handling procedures set forth in the GSC policies and procedures. Finally, we recommend GSC properly monitor auxiliary cash collections by identifying all cash collection points, ensuring proper internal controls are implemented, and periodically verifying personnel are following cash handling procedures.

**Spending Unit’s Response** *(See Appendix C)*

**Finding 12****Lack of Internal Controls for the Leave System****Condition**

We noted a lack of internal controls over the GSC manual leave system including: inaccurate record keeping, inaccurate leave amounts, missing information/documentation, and a lack of monitoring.

We reviewed the leave records for 81 employees.<sup>17</sup> We noted discrepancies between actual leave usage and attendance and showed them below (in hours):

Employee	Month	GSC Employee Leave Workbook	Employee Absence Report (Calendar Section)	Employee Absence Report (Totals Section)
1	November 2011	12.25 Unpaid	21.75 Unpaid	14.25 Unpaid
6	December 2011	10.31 Sick and 117.19 Annual	125.50 Sick ^	125.50 ^
8	November 2011	22.50 Sick and 20.50 Annual	22.50 Annual and 15 Holiday	22.50 Annual and 15 Holiday

<sup>^</sup> Employee Absence Report was unable to be located; instead the employee's time sheet was used to determine leave usage.

We also noted the following instances where leave usage was recorded in an improper category:

Employee	Number of Hours	Month	Leave Recorded in Leave Workbook	Leave Taken per Employee Absence Report
2	49	July 2011	Sick Leave	Annual Leave
3	3.75	February 2012	Annual Leave	Unpaid Leave*
7	15	May 2012	Annual Leave	Sick Leave
6	117.19	December 2011	Annual Leave	Sick Leave^
8	22.50	November 2011	Sick Leave	Annual Leave
8	20.50	November 2011	Annual Leave	[No additional leave]

\* GSC Human Resource Office explained that Unpaid Leave listed in the Leave Workbook refers to the tracking of eleven and ten month employees only and does not indicate leave without pay status.

<sup>^</sup> Employee Absence Report was unable to be located instead; the employee's time sheet was used to determine leave usage.

There were two employees who had sick/annual leave deducted from their leave balances without properly completed/signed applications to donate sick/annual leave. One application was not signed by the donor and the other did not designate a recipient. [employees 4 & 5]

<sup>17</sup> There were 155 employees in our population; we selected a sample of 81 employees. These employees were selected based on sick leave usage of greater than five consecutive days.

GSC was unable to provide Employee Absence Reports for the month of November 2011 and December 2011 for one and two employees, respectively. [employees 6 & 9]

**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....”

**WV HEPC Title 133, Series 38, Section 2.3, states in part:**

“Annual and sick leave may not be taken before it is accrued...”

**Cause**

GSC maintained a manual leave system which resulted in inadequate reporting and monitoring of employees' leave. The HR Director had sole responsibility for the leave records with no oversight which provided the opportunity for inaccuracies as well as for fraud and/or abuse of the manual leave system.

**Effect**

If time is taken off and not recorded in the manual leave records, it may result in a theft of state time. Also, by maintaining records manually, an employee may be using leave time before it is actually accrued. Additionally, if leave time is recorded in the leave records that is not actual leave time used, it may result in the employee not being properly compensated or overly compensated as would be the case for payout of annual leave upon retirement or resignation or the use of sick leave towards retirement if applicable.

**Recommendation**

We recommend GSC comply with WV Code §5A-8-9 and WV HEPC Title 133, Series 38, Section 2.3 to maintain accurate leave records and ensure all sick, annual, and unpaid leave is accurately labeled and properly added and/or subtracted from the leave records with proper oversight. We also recommend GSC use terminology other than “Unpaid Leave” to refer to the modified schedules for ten and eleven month employees so as to distinguish that time from leave without pay status. Additionally, we recommend GSC implement an electronic leave system to aid in maintaining accurate leave records, reducing human error, and reducing the opportunity for fraud and/or abuse of the leave system.

**Spending Unit's Response**

*(See Appendix C)*

**Finding 13**

**Lack of Oversight over the Leave Keeper**

**Condition**

We noted the lack of oversight over the leave keeper provided opportunity for abuse and inaccurate record keeping. We reviewed the leave records for the Human Resources Director, the sole person charged with oversight of the leave records, and the leave keeper's spouse for fiscal year 2012.

We noted exceptions for the leave keeper in 6 of the 12 months tested which resulted in inaccurate leave balances and Employee Absence Reports signed by the supervisor although there were noticeable discrepancies on the forms.

In February 2012 for one employee (the leave keeper's spouse,) 151.875 hours of sick leave were transferred from WVU to GSC when the employee was no longer eligible to receive the sick leave because one year had passed. The GSC Human Resources Director, who is also the sole leave keeper and the employee's spouse, received an electronic communication from WVU personnel regarding the sick leave on March 27, 2012; however, GSC leave records show the 151.875 hours of sick leave were added to the employee's records in February 2012.

In June 2012 for the same employee (the leave keeper's spouse), the totals and the calendar on the Employee Absence Report did not match. The Totals on the Employee Absence Report showed 15 hours allocated to annual leave. The calendar on the Employee Absence Reports had no time registered. The Employee Absence Report was signed by the supervisor although the form had noticeable discrepancies.

**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...."

**WV HEPC Procedural Rule Title 133, Series 38, states in part:**

"2.8...Written verification of the accumulated amount of sick leave to be transferred must be provided by the state agency or institution of higher education wherein the employee accumulated the sick leave within one (1) year of the date of employment with the institution."

**Cause**

The HR Director had sole responsibility for the manual leave system. There is a lack of monitoring of the leave keeper.

**Effect**

The lack of oversight provided opportunity for inaccurate record keeping and abuse by the leave keeper. In one instance, the inaccurate record keeping led to an overpayment of 3.75 hours to the Human Resources Director, the leave keeper, which should have been unpaid leave.

The lack of monitoring also allowed the employee (the leave keeper's spouse) to receive 151.875 sick leave hours transferred from previous state employment after the deadline had passed.

**Recommendation**

We recommend GSC comply with WV Code §5A-8-9 to maintain accurate leave records and ensure all sick, annual, compensatory, and unpaid leave be accurately labeled and properly subtracted from the leave records and that unpaid leave be properly reported. We also recommend GSC comply with HEPC Procedural Rule Title 133, Series 38, Section 2.8, for transferring leave. We further recommend a periodic supervisory review of Employee Absence Reports and spreadsheets to verify accuracy and to eliminate opportunity for abuse by the leave keeper. Additionally, we recommend GSC implement an electronic leave system to aid in maintaining accurate leave records, reducing human error, and reducing the opportunity for fraud and/or abuse of the leave system.

**Spending Unit's  
Response**

*(See Appendix C)*

**Finding 14****Lack of Proper Internal Controls over Absence Reports****Condition**

We noted a lack of proper internal controls over the Employee Absence Reports.<sup>18</sup>

We reviewed all Employee Absence Reports for 155 employees for 3 of the 12 months (25%) in fiscal year 2012 and noted the following exceptions:

- For 21 Employee Absence Reports, the supervisor did not approve the Employee Absence Report within 14 days of the last day of the respective month. We noted the number of days past 14 days ranged from 15 to 69 for an average of 30 days.
- For four Employee Absence Reports, the supervisor did not sign and date the Employee Absence Report. Without a signature and date from the supervisor on the Employee Absence Report it is not possible to determine that leave time was approved and in a timely manner.
- For three Employee Absence Reports, the supervisor did not date the signature on the Employee Absence Report. Without the date of the signature, it is not possible to determine if approval was done in a timely manner.
- For five instances of 465 (1%), the GSC Human Resource Office was unable to provide the Employee Absence Report.
- For one of 465 Employee Absence Reports, the supervisor did not sign the Employee Absence Report; however, we noted a date (10-5-11) had been written in the approval area. Without a supervisor's signature on the Employee Absence Report, leave time is not approved by the supervisor.
- For one of 465 Employee Absence Reports, the supervisor signed and dated the Employee Absence Report before the end of the month. If the supervisor is signing Employee Absence Reports before the end of the month, the supervisor is unable to verify the remaining days of leave taken by the employee.

**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

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<sup>18</sup> The population consisted of 155 employees. We used a random sampling application to determine three months (25% of the fiscal year) to include in the sample for testing. Therefore, our sample consisted of 465 Employee Absence Reports (three months of reports for 155 employees).

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....”

**GSC Classified Employee Handbook, page 12, section entitled SUBMISSION OF TIME SHEETS, states:**

“You should submit your monthly time sheet and employee absence report (If you are a nonexempt employee) or just your employee absence report (if you are an exempt employee) to your supervisor **by 4:00 p.m. on the last working day of each month, or as reasonably possible thereafter**. Supervisors sign and forward these forms to their respective Vice President or to the Office of the President, and subsequently to the Office of Human Resources, which uses them to calculate your leave balances and retains them for audit purposes.” **(Emphasis added).**

**Cause** GSC Employee Absence Reports are incomplete with missing supervisor signatures and dates. Additionally, there are missing absence reports making it impossible to verify supervisor approval. According to the GSC Classified Employee Handbook, it was acceptable to obtain the supervisor’s signature by 4:00 p.m. on the last working day of the month or as reasonably possible thereafter. However, this policy presents the opportunity for an employee to take additional leave after obtaining the supervisor’s approval and does not provide a specific deadline for submitting the Employee Absence Report to the Office of Human Resources.

**Effect** Missing Absence Reports make it impossible to verify whether or not an employee had taken leave as well as what type of leave was taken. Additionally, without supervisor signatures and dates, leave time taken is not properly authorized.

**Recommendation** We recommend GSC comply with WV Code §5A-8-9 to maintain accurate leave records. Additionally, we recommend that GSC change the policy for submission of Employee Absence Reports to require that the supervisor’s signature for approval be obtained when the month has fully passed and that specific deadlines be established for submitting the Employee Absence Report to the supervisor and ultimately to the Office of Human Resources.

**Spending Unit’s Response** *(See Appendix C)*

**Finding 15****Lack of Policies and Procedures on Calculating Annual Increment****Condition**

When higher education employees separate from employment, the agency is responsible for calculating each employee's annual increment due at the time of separation if the employee had met the requirements to receive the payment. Separating employees should receive their annual increment at a pro-rated amount calculated to include the portion of the year worked. Also, the employee's tenure value of any unused annual leave should be applied as days worked to be included in the pro-rated annual increment payment.

Neither the HEPC nor GSC has a written policy or procedure in place that provides guidance on how annual increment should be calculated for separating employees. Although higher education institutions are not subject to their authority, the West Virginia Division of Personnel (DOP) provides instruction on calculating pro-rated annual leave payments by way of DOP Policy #5 (Annual Increment Policy). Further guidance is provided in DOP's Annual Increment Guidance Material which accompanies DOP's on-line Increment Calculator which can assist state agencies in computing increment payments for separating employees with unused annual leave.

When the GSC Payroll Department prepares to pay terminal annual increment for separating employees, they first calculate the amount by determining the number of full calendar months the employee worked during the fiscal year of his or her separation. Next, the employee's full increment amount is divided by 12 and multiplied by the number of full calendar months worked. Neither partial months worked nor annual leave balances are taken into consideration. This effectively underpays separating employees' annual increment by the work time value of any partial months worked and any unused annual leave (7.5 hours of unused Annual Leave = 1 day of credit towards Annual Increment).

**Criteria****WV Code §5-5-2, as amended, states in part:**

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

**WV DOP Policy 5, page 4, states in part:\***

"...Separating employees shall be paid the annual increment on a pro rata basis for the portion of service rendered by the employee during the current fiscal year of employment.

The prorated portion an employee receives upon separation prior to June 30, shall be based on his or her totaled full years of service, and shall be computed based on the months of service rendered in the fiscal year in which the employee terminates."

**WV DOP Annual Increment Guidance Material states in part:\***

“Separating employees shall be paid the annual increment on a pro rata basis for the period of time the employee rendered service during the current fiscal year of employment. Such period of time shall include the total tenure value of any unused annual leave, regardless of the method of payment (i.e., lump sum or remaining on payroll). All annual leave must be included, even if this extends the increment time into the next increment year; provided such period of time covered by paid terminal annual leave does not count as years of service credit. Annual increment is not paid for the terminal value of annual leave used upon retirement to extend insurance coverage or to acquire additional credited service in the retirement system...

...In computing creditable service time for pro rata increment, you **must include the work time value of any unused annual leave**, even if it is paid in a lump sum. This value effectively **extends the pro rata increment date beyond the employee's last work day...**” (Emphasis Added)

***\* GSC is not required to follow the above criteria promulgated by the DOP, yet the DOP method is the commonly followed method among state agencies.***

**Cause** GSC calculates pro-rated annual increment to include only full months worked as service credit and does not take into account the tenure value of unused annual leave due to a lack of policy and guidance surrounding the pro-rated annual increment calculations.

**Effect** We tested 24 separating employees’ final pay to determine if annual increment was correctly paid. Of the 24 separating employees, only 8 received annual increment payments; the remaining 16 employees were not eligible to receive an annual increment payment. Of those employees receiving annual increment, we noted seven out of eight (88%) where GSC’s calculation method resulted in an underpayment to employees of \$928 when compared to DOP’s calculation method.

**Recommendation** Neither the HEPC nor GSC has a policy instructing higher education institutions on how to calculate pro rata annual increment; therefore, we recommend GSC voluntarily elect to follow the method prescribed in DOP Legislative Rule Title 143, Series 1 and Policy 5 by utilizing the on-line pro-rated annual increment calculator available on the WV DOP’s website.

**Spending Unit’s Response** (See Appendix C)

GLENVILLE STATE COLLEGE  
JULY 1, 2011 - JUNE 30, 2012

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**APPENDIX A - FUND LISTING**

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We have completed a post audit of Glenville State College. The examination covers the period of July 1, 2011 through June 30, 2012.

**GENERAL REVENUE ACCOUNT**

The following account was maintained by the Office of Glenville State College.

<u>Fund Number</u>	<u>Fund Name</u>
0363 .....	General Administrative Fund

This fund receives State appropriations only. Expenditures from fund 0363 are generally payroll and some Board of Risk and Insurance Management (BRIM) payments. This fund does not generate interest.

<u>Fund Number</u>	<u>Fund Name</u>
4482.....	Revenue Clearing Fund
4496.....	Tuition and Required E&G Fees
4497.....	Auxiliary and Capital Fees Fund
4498.....	Education and General Capital Fees Fund
4499.....	Gifts, Grants, and Donations
8770.....	Federal Grants

**Revenue Clearing Fund**

This fund is the primary clearing account for cash deposits. All cash deposits are placed into fund 4482 before being transferred into the appropriate State fund. This fund generates interest.

**Tuition and Required E&G Fees**

This fund receives the primary revenue from tuition and fees. Additional revenue from public safety fees are placed into the fund. Expenditures include payroll and college operating expenses. Fund 4496 is the most flexible fund for expenditures. This fund generates interest.

**Auxiliary and Capital Fees Fund**

This fund primarily receives revenue generated from room and board, student fees, and tuition. Expenditures paid from this fund include payroll and operating expenses. The college does not currently pay any operating leases from this fund; however, operating leases could be paid if the lease was for the direct benefit of an auxiliary operation. This fund generates interest.

**Education and General Capital Fees Fund**

This fund receives revenues from loans, bonds, HEPC grants, and tuition and fees. Expenditures from this fund are for capital improvements to the college and debt service payments. This fund generates interest.

**Gifts, Grants, and Donations**

This fund receives revenues from various gifts, donations, and State or local grants. Revenues are typically designated for a specific purpose by the donor or grant. This fund does not generate interest.

**Federal Grants**

This fund is utilized to receive and distribute Federal grant money. Grants are typically through the GSC Research Corporation, which distributes the funds to GSC. This fund does not generate interest.

**APPENDIX B - METHODOLOGY BY OBJECTIVE**  
*METHODOLOGY AND RELEVANT LAWS, POLICIES, OR AGREEMENTS BY OBJECTIVE*

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**OBJECTIVE 1:**

**Has the GSC Board of Governors and GSC management ensured the fiscal integrity of operations using best business and management practices?**

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*Sub-Objective:*

*a. Determine if and why the cash reserves of GSC operating funds were being depleted.*

**METHODOLOGY:**

The audit scope and methodology utilized to determine if and why the cash reserves of GSC operating funds were being depleted included a review of the cash balances of GSC operating funds from fiscal year 2009 through fiscal year 2013. In addition, the major categories of revenues and expenditures were reviewed to observe trends in how GSC is generating revenue and expending those resources.

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*Sub-Objective:*

*b. Determine if the GSC residence halls were generating the revenue to maintain the debt service payments required under the bond resolution agreements.*

**METHODOLOGY:**

The audit scope and methodology utilized to determine if the GSC residence halls were generating the revenue to maintain the debt service payments required under the bond resolution agreements included a review of the revenues from the Pioneer Village residence hall from fiscal year 2009 through 2013 and the revenues from the Goodwin Hall residence hall from fiscal year 2011, the first year of operation, through fiscal year 2013. In addition, the housing scholarships provided by GSC from fiscal years 2009 through 2013 were reviewed, as well as the debt service and reserve fund payments made by GSC as required by the bond resolution agreements.

We reviewed the number of housing and tuition/fees waivers extended to GSC students and student athletes to determine if the number of waivers issued were reasonable and/or cost-effective for fiscal years 2009 through 2013. We determined if the students and student athletes who were awarded waivers returned to GSC to complete their education.

We obtained the listing of students who received housing and tuition/fees waivers for FY 2009 through FY 2013, including whether or not the student was an athlete. Additionally, we obtained the total amounts received for Housing Revenue and Tuition/Fees Revenue and T&F assessed for all FTE Undergraduate students registered during the prior year's fall semester for each fiscal year 2009 through 2013. We obtained the graduation/retention status of students receiving waivers.

We compared the revenue received from the residence halls each fiscal year to the bond payments for each respective fiscal year. We determined whether or not the revenue received from the residence halls was sufficient to cover the debt service payments for the bond resolution agreements.

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*Sub-Objective:*

- c. *Determine if adequate internal controls were in place over auxiliary cash receipts.*

**METHODOLOGY:**

The audit scope and methodology utilized to determine if adequate controls were in place over auxiliary cash receipts included surprise cash counts, interviews with GSC personnel responsible for the collection of auxiliary cash receipts, as well as the review and documentation of the internal control procedures over auxiliary cash receipts collected during fiscal year 2012.

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*Sub-Objective:*

- d. *Determine if GSC was collecting revenues from the rental of institutional facilities to external parties.*

**METHODOLOGY:**

The audit scope and methodology utilized to determine if GSC was collecting revenues from the rental of institutional facilities to external parties included interviews of the GSC personnel responsible for the management of facilities rentals and a review of GSC accounting records for facilities rentals occurring during fiscal year 2012. We obtained a listing from GSC of the facility rentals and the revenue collected for the rentals during FY 12. We scheduled the population of 98 rentals and the amounts received onto a spreadsheet to determine if the proper fees were charged for the facility usage and if Rental Agreements were signed. However, since GSC did not consistently utilize Rental Agreements, there may have been instances of rentals which were not included in our population.

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*Sub-Objective:*

- e. *Determine if GSC was submitting payments for goods and services received in a reasonable amount of time.*

**METHODOLOGY:**

The audit scope and methodology utilized to determine if GSC was submitting payments for goods and services received in a reasonable amount of time included a review of GSC expenditures for fiscal year 2012. We used RAT-STATS Statistical Software to determine the random numbers to use in the sample for expenditures based on the confidence level of 95% with a 10% precision range using the population size of 2,159 for a sample size of 32.

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*Sub-Objective:*

- f. *Determine if GSC was executing contracts to individuals or groups that were unnecessary and/or extravagant.*

## **METHODOLOGY:**

The audit scope and methodology utilized to determine if GSC was executing contracts to individuals or groups that were unnecessary and/or extravagant included a review of GSC expenditures for State object code 025 transactions from fiscal year 2009 through fiscal year 2013. This sub-objective was included with a related test (*Refer to Objective 7*).

## **RELEVANT LAWS, POLICIES, OR AGREEMENTS:**

- WV Code §5A-8-9
- GSC Administrative Policy 5, 5.3. By Off-Campus Groups or Individuals (Non-state Employee), Policies on Use of Institutional Facilities
- GSC Administrative Policy 5, 5.4. By Campus Groups for Nontraditional Programs (State Employee), Policies on Use of Institutional Facilities
- WV Code §18B-5-9
- WV Code §12-2-2, as amended
- Legislative Rule Title 112, Series 3, Section 3.1
- WV State Treasurer's Office Cash Receipt Handbook
- GSC Cash Collection Procedures
- WV Code §18B-10-5(b)(1)
- GSC Policy 44, Tuition and Fees
- WV Code §5A-8-9(b)
- WV HEPC Procedural Rule Title 133, Series 29, Travel
- GSC Policy 21, Travel
- WV Code §12-3-10(a), as amended
- WV Code §12-3-10(c), as amended
- WV HEPC Procedural Rule Title 133, Series 30, Purchasing

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## **OBJECTIVE 2:**

**Did GSC operate its Purchasing Card Program without significant weakness in internal control and make purchases in accordance with the WV Higher Education Policy Commission (HEPC) purchasing rules and the WV State Auditor's Office (WVSAO) P-Card Policies?**

### *Sub-Objectives:*

- a. *Determine if GSC required and enforced itemized receipts to be submitted for purchases made with P-Cards.*
- b. *Determine if GSC P-Cardholders reconciled monthly P-Card statements within a reasonable amount of time.*
- c. *Determine if purchases made by GSC utilizing P-Cards were allowable under HEPC purchasing rules and WVSAO P-Card policies.*

**METHODOLOGY:**

The audit scope and methodology utilized to determine if GSC operated its Purchasing Card Program without significant weakness in internal control and made purchases in accordance with the HEPC purchasing rules and WVSAO P-Card policies included an examination, on a test basis, of evidence that GSC complied with the policies of HEPC and WVSAO and that internal controls were in place and functioning properly. In addition, interviews were conducted with the GSC personnel responsible for the administration and oversight of the GSC P-Card Program, as well the review and documentation of the internal controls of the P-Card Program.

Three months (1,771 transactions) were selected for the sample based upon seasonal spending habits of the agency and the months in which the auditors believed fraud was most likely to occur, in particular, the beginning and ending of a semester (September, November and April). In addition, one employee’s P-Card transactions and P-Card transactions for two individual departments were included in the test due to suspicion of fraud. The total P-Card population and sample selection breakdown is as follows:

- Total Number of Transactions: 5,785
- Total Dollar Value of Transactions: \$1,863,991
- Number of Transactions in Sample: 1,771
- Percentage of Transactions Selected: 30.61%
- Total Dollar Value of Transactions in Sample: \$522,641
- Percentage of Total Dollar Value Selected: 28.04%

**RELEVANT LAWS, POLICIES, OR AGREEMENTS:**

- WV Legislative Rule Title 155, Series 1
- WV State Auditor’s Office P-Card Policies and Procedures Manual, Section 6.3, Business-Related Travel
- WV State Auditor’s Office P-Card Policies and Procedures Manual, Section 7.1, Receipts and Receiving Reports
- GSC Purchasing Card Policies and Procedures Sections 7.0 and 7.1
- WV Code §5A-8-9(b)
- WV Code §18B-5-4
- WV State Auditor’s Office P-Card Policies and Procedures Manual, Section 7.0
- WV Legislative Rule Title 133, Series 30, Sections 4 and 8.10.1 (c)

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**OBJECTIVE 3:**

**Did GSC operate and maintain a system of inventory management without significant weakness in internal control?**

**METHODOLOGY:**

The audit scope and methodology utilized to determine if GSC operated and maintained a system of inventory management without significant weakness in internal control included the performance of a

physical inventory on a sample of inventory items included in GSC's fiscal year 2012 inventory listing. Included in the sample were electronic and technology inventory which present a significant risk of theft and abuse. The physical inventory consisted of the collection of the observation and documentation of the internal controls in place over GSC's inventory. In addition, interviews of the GSC personnel responsible for inventory management were conducted and documented.

We obtained a listing of all computers and monitors belonging to GSC, all technology and office equipment assigned to each department or individual, and a listing of all vehicles owned by GSC. We combined the lists and deleted obvious duplicates; the remaining items became the population for our test, divided into two categories, electronic items and general items. To achieve a 95% confidence level with a 10% precision level when projected over the population, RAT-STATS statistical software was used to select the random probability sample size. The sample size selected was 35 for each category (electronic and general items). Using auditor judgment, we selected items that have a high risk of theft/misuse as well as high value items, etc., to be used as our sample selection. Additionally, we selected five items from the retired population to test retired items.

**RELEVANT LAWS, POLICIES, OR AGREEMENTS:**

- Legislative Rule Title 133, Series 30
- WV Code §18B-5-7, as amended
- WV HEPC Purchasing Procedures Manual, Sections 9.3 and 10.3.1
- GSC Inventory Management Policies and Procedures
- GSC Board of Governors Administrative Policy 9 (9.2, Dispositions of Surplus Equipment, Supplies and Materials)
- GSC Board of Governors Administrative Policy 9 (9.3, Methods of Disposal of Obsolete, Surplus and Unusable Materials, Supplies and Equipment)

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**OBJECTIVE 4:**

**Were taxable benefits provided by GSC included in the salaries and wages of the employees receiving the benefits?**

*Sub-Objectives:*

- a. *Determine if the value of free or reduced housing was included in the wages of employees receiving such benefits from GSC.*
- b. *Determine if GSC is following Internal Revenue Service regulations with regards to employees claiming a principal place of business other than GSC's main campus.*

**METHODOLOGY:**

The audit scope and methodology utilized to determine if GSC included taxable benefits in the salaries and wages of the employees receiving the benefits included a review of the tax records submitted to the IRS by GSC for fiscal year 2012 employees. Additionally, interviews were conducted and documented with employees who claimed a principal place of business other than GSC's main campus. Finally, a determination of the market value of the properties GSC employees reside in was made through reviewing the rent charged in the surrounding community as well as rent charged to students.

**RELEVANT LAWS, POLICIES, OR AGREEMENTS:**

- IRS 2012 Publication 15-B, Employer’s Tax Guide to Fringe Benefits
  - IRS 2012 Taxable Fringe Benefit Guide (Qualified Campus Lodging)
  - WV Code §5A-8-9
  - WV Code §21-5-3
  - IRS Code §1.61-21(a)
  - WV Code §18B-10-13
  - WV Code §18B-5-9
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**OBJECTIVE 5:**

**Did GSC operate and maintain an employee leave system without significant weakness in internal control?**

**METHODOLOGY:**

The audit scope and methodology utilized to determine if GSC operated and maintained an employee leave system without significant weakness in internal control included interviews with GSC personnel responsible for the administration and oversight of the leave system, a review and documentation of the internal controls over the leave system, and a review of the fiscal year 2012 leave records.

**RELEVANT LAWS, POLICIES, OR AGREEMENTS:**

- WV Code §5A-8-9
  - GSC Classified Employee Handbook, page 12, section entitled SUBMISSION OF TIME SHEETS
  - WV HEPC Procedural Title 133, Series 38, Sections 2.3 and 5.5
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**OBJECTIVE 6:**

**Did GSC operate and maintain an employee time sheet system for applicable employees without significant weakness in internal control?**

**METHODOLOGY:**

The audit scope and methodology utilized to determine if GSC operated and maintained an employee time sheet system without significant weakness in internal control included interviews of the GSC personnel responsible for recording time sheets into the payroll system, a review and documentation of the internal controls over time sheets, and a review of time sheets completed during fiscal year 2012.

**RELEVANT LAWS, POLICIES, OR AGREEMENTS:**

- WV Code §18B-5-9
- GSC Classified Employee Handbook, page 12, section entitled SUBMISSION OF TIME SHEETS

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## **OBJECTIVE 7:**

**Did GSC follow HEPC purchasing procedures in regards to payments to contractors and consultants for capital assets?**

### **METHODOLOGY:**

The audit scope and methodology utilized to determine if GSC followed HEPC purchasing procedures in regards to payments to contractors and consultants for capital assets included an examination of expenditure transactions for State object codes 025, 120, and 122 occurring during fiscal year 2012. We determined to include all transactions for object codes 120 and 122 (ten transactions) in the sample because the agency was involved in a construction project during our audit period. We used RAT-STATS statistical software to determine the sample size of 32 for the object code 025 transactions. We also included 38 transactions due to suspicion of fraud. Therefore, our sample consisted of 80 transactions.

### **RELEVANT LAWS, POLICIES, OR AGREEMENTS:**

- WV Code §5A-8-9(b)
- WV Code §6B-2-5, as amended
- WV HEPC Procedural Rule Title 133, Series 30, Purchasing, Section 4
- WV Legislative Rule Title 155, Series 1-3, Section 3.1
- Contracts between GSC and the respective vendors (Vendors 1, 2 and 4)
- WV Code §18B-5-4
- WV HEPC Procedural Rule Title 133, Series 30, Purchasing, Section 2.1.13
- WV HEPC Procedural Rule Title 133, Series 30, Purchasing, Sections 8.11.1 and 8.11.2
- WV HEPC Procedural Rule Title 133, Series 30, Purchasing, Section 8.15.1
- WV Budget Office 2012 Expenditure Schedule Instructions

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## **OBJECTIVE 8:**

**Has GSC taken corrective action for the previous audit finding concerning the calculation of annual increment?**

### **METHODOLOGY:**

The audit scope and methodology utilized to determine if GSC has taken corrective action for the previous audit finding concerning the calculation of annual increment involved interviews with the GSC personnel responsible for the calculation and approval of annual increment payments and the recalculation, on a test basis, of annual increment payments provided to employees during fiscal year 2012.

**RELEVANT LAWS, POLICIES, OR AGREEMENTS:**

- WV Code §5-5-2, as amended
- WV DOP Policy 5, page 4
- WV DOP Annual Increment Guidance Material

## APPENDIX C - SPENDING UNIT'S RESPONSES

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### Introduction

Glenville State College is satisfied with the exhaustive institutional examinations conducted by the Legislative Audit Team. Over the past 16 months, the Team has usefully served to detect unsound and deficient practices that could allow institutional and individual irregularities.

Glenville State responds to the Team's finding without challenge and believes that corrective measures addressing findings will be completed within the current fiscal year.

### Finding 1 Response

The College recognizes and accepts the weaknesses of its inventory management system and proposes the following steps to address them:

1. A comprehensive inventory will be conducted to report the location and condition of all fixed assets.
2. A centralized receiving system will be developed to receive all inventories. This will allow all assets to be properly inventoried and tagged prior to distribution to the purchasing unit.
3. All fixed assets records will be converted to the QASIS fixed asset system. This asset system will allow tangible assets to be identified at purchase, tracked by location and custodian, and logged when the asset is relocated or discarded.
4. Relocation and Disposal forms will be required whenever a fixed asset's status is changed. These forms will be used to maintain the fixed asset system between physical inventories.
5. An annual physical inventory will be conducted to assure the continued reliability of the fixed asset inventory management system.

### Finding 2 Response

Finding 2 extends the inventory-related Finding 1 to the College's failure to tag of certain state-owned large equipment and vehicles. To the present, the College has listed large equipment and vehicles by alternative unique identifications, i.e., VIN or serial numbers. To comply with established Code, the College will tag all fixed assets.

### Finding 3 Response

Finding 3 observes an unacceptable contract with a vendor. While the College acted on the belief that the Sole Source status of the subject vendor allowed for exception, the Team disputed the College's Sole Source vendor determination. To comply with the Team's view, the College terminated the contract effective November 2013.

### Finding 4 Response

Finding 4 observes a lack of internal controls over contract payments. The College admits overdue payments and will more rigorously study and apply governing policies and regulations and more closely monitor contractual conditions, activities and obligations. The College will adopt compliant internal practices and controls.

### Finding 5 Response

Finding 5 cites a lack of internal controls over facility rentals. While the College has a schedule of rental fees and a designated individual overseeing facility rentals, the College admits failure to monitor contracts and, with new and modified

spaces and facilities, determine and maintain a current fee schedule. The President has appointed a committee to recommend facility rental fees and appropriate facility uses by external groups. The President will receive and act on the committee's recommendation by 31 December 2014.

#### Finding 6 Response

The College recognizes its failure to adequately and consistently enforce Policies and Codes requiring itemized receipts and proper documentation for all purchases. To address these issues the College has taken the following step.

1. A single person was performing accounts payable and P-Card Coordinator functions. As the P-Card program has continued to grow both in terms of dollars and in terms of additional P-Card holders, the College has recognized that a person solely dedicated to P-Card is required. That change has been implemented and has contributed to improved P-Card oversight.

In addition the College proposes

1. The paperless, real-time P-Card function in the OASIS system will shorten the time between transaction and reconciliation. A briefer lapse will reduce the possibility of lost paperwork and improve the timeliness of obtaining additional documentation.
2. Additional P-Card holder training will be conducted to orient cardholders to the Oasis system. The training will reemphasize the responsibilities of the cardholder.

The College has found that nine of the 10 prohibited gas purchases were by the same individual. Action has been taken that correct this procedural violation. The College has also found a single individual making four of the five disallowed P-Card purchases. The individual is no longer a College employee.

#### Finding 7 Response

The College accepts the Finding 7 that further develops Finding 6 and will apply corresponding corrective measures. For the past two years, the College has digitally stored all P-Card documentation, which will reduce instances of lost documentation.

To address problem of undated Area Manager approvals, the pending OASIS electronic system requires Area Manager approval and time stamps the approval.

#### Finding 8 Response

The Team found an instance of failing to bid a contract and instance of not updating a purchase order to correspond with a change order. The College will more rigorously study and apply governing policies and regulations and more closely monitor contractual conditions, activities and obligations. The College will adopt compliant internal practices and controls.

#### Finding 9 Response

The College admits that its practice of distinguishing between tuition waivers and housing waivers could be subject to argument. In the College's opinion, the differing funding sources of tuition waivers and housing waivers justified a distinction. The Team found no distinction and showed that 2013 combined tuition and housing waivers exceeded a 10 percent cap by two percent. Following Board of Governor's deliberations and decision, the College will either raise the cap to 12 percent or reduce annual expenditures below the established 10 percent cap. The Team decided that a 12 percent cap would be "reasonable."

#### Finding 10 Response

The College admits to defects in the transmittal of approved time records and has corrected the deficient practice. The deficiencies are chiefly attributable to a paper system of time recording and reporting. With the statewide implementation of the OASIS electronic system in Spring 2015, deficient practices will be altogether corrected.

#### Finding 11 Response

The College recognizes its failure to properly oversee and control cash collections across the campus.

The College has already implemented suitable control. Imprest funds have been established in seven units that regularly accept cash with accompanying custodial training and printed instructions. Most areas will use written pre-numbered receipts or pre-numbered tickets. Some areas not amenable to this procedure, e.g., coin-operated copiers, are determined to present little exposure.

A practice of daily deposits of all cash receipts has been implemented. Imprest funds will be audited semi-annually to assure compliance.

#### Finding 12 Response

The College admits to deficiencies of the internal controls of employee leave recording. The College finds several instances of human error in data entry. With the statewide implementation of the OASIS Kronos electronic system in Spring 2015, deficient practices will be corrected.

#### Finding 13 Response

Finding 13 observes a lack of oversight in the management of leave keeping. Effective immediately, the Leave Keeper, aka Director of Human Resources, will consult with a supervisor in handling and recording sensitive information. Furthermore, the supervisor or a designee will conduct intermittent inspections of leave records. The statewide implementation of the OASIS Kronos system in Spring 2015 will improve monitoring.

#### Finding 14 Response

The College admits limited deficiencies of internal controls for employee absence reporting. With the statewide implementation of the OASIS Kronos electronic system in Spring 2015, deficient practices will be corrected through increased timely reporting and institutional monitoring.

#### Finding 15 Response

The College admits the lack of state or institutional policies governing annual increment calculations. Glenville State has adopted the Legislative Audit Team's recommendations to correct faulty reporting and will develop an institutional policy.