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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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Legislative Post Audit Division
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The Joint Committee on Government and Finance:

In compliance with the provisions of the WV Code, §4-2, as amended, we conducted a post audit of the West Virginia Board of Physical Therapy (WVBPT) for the period July 1, 2010 through June 30, 2011.

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

Respectfully submitted,

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

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

SLS/jap

**WEST VIRGINIA BOARD OF PHYSICAL THERAPY
JULY 1, 2010 – JUNE 30, 2011**

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WEST VIRGINIA BOARD OF PHYSICAL THERAPY
JULY 1, 2010 – JUNE 30, 2011

EXECUTIVE SUMMARY

Finding 1 Scope Limitation over Revenues Received

We were unable to determine whether revenues totaling \$261,116.24 were received timely and for the proper amounts because WVBPT does not have adequate internal controls in place to properly track and monitor monies due. The \$261,116.24 was deposited into the State accounting system, WVFIMS; however, we were unable to be certain WVBPT received and deposited all revenues due. Of the \$261,116.24 deposited by WVBPT, 63% was in the form of cash¹ and 37% was received through the West Virginia State Treasurer's Office Credit Card Payment System. The inadequate internal controls included a lack of segregation of duties combined with a lack of management oversight, a lack of detail in WVFIMS, and a weakness in internal controls over the licensing database.

Auditor's Recommendation

We recommend the WVBPT comply with WV Code §5A-8-9, as amended. Because adequate segregation of duties may not be achievable due to staffing limitations, WVBPT must implement additional safeguards to minimize the risk of fraud. We also recommend that the WVBPT provide effective oversight of the collection and recording of fees and the subsequent issuance of the related licenses/renewals/verifications, etc. Since the WVBPT has such a small staff and it is difficult to adequately segregate duties, we recommend the agency consider using the WV State Treasurer's Office Lock box System to collect cash or only accept payment of fees by credit card. Further, we recommend the WVBPT prepare reconciliations between the information in the licensee database and information entered into WVFIMS.

Finding 2 Weakness in Internal Controls over Expenditures

We determined there was a lack of internal controls over the expenditures made by WVBPT during fiscal year 2011. The internal control weaknesses included a lack of segregation of duties over purchasing, and a lack of oversight for expenditures.

Auditor's Recommendation

We recommend the WVBPT comply with WV Code §5A-8-9, as amended. Because adequate segregation of duties may not be achievable due to staffing limitations, WVBPT must implement additional safeguards to minimize the risk of fraud. We also recommend that the WVBPT provide effective oversight of the purchasing/expenditure process including compliance with the WV State Auditor's Office Purchasing Card Policies and Procedures Section 2.4.

¹ Cash includes cash equivalents such as checks, money orders, etc.

Finding 3 Lack of Internal Controls and Oversight of Employee Leave

We inquired with WVBPT personnel to obtain an understanding of the procedures over the leave process and documented them in order to determine if proper internal controls were in place. During this process and the subsequent events review, we noted a lack of controls and oversight of employee leave.

Auditor's Recommendation

We recommend WVBPT comply with WV Code §5A-8-9, and §12-3-13, and Legislative Rules §143-1-14.15, §143-1-14.1, and §143-1-14.7. Further, we recommend WVBPT implement and utilize a time keeping system to track the hours worked by the employees and reconcile this information with what is reported on the employees' time sheets. Additionally, we recommend WVBPT utilize the West Virginia Department of Administration's Online Leave System. In addition, we recommend WVBPT establish and implement their own policies and procedures over the accrual and use of leave and Holiday/Comp time. We further recommend employees obtain preapproval for the accrual of Holiday/Comp Time and require preapproval for use of annual leave or Holiday/Comp Time.

Finding 4 Incorrect Amount Paid on Contractual and Professional Services Provided

We determined WVBPT paid the incorrect amount for contractual and professional services during fiscal year 2011. The four overpayments totaled \$11,443.65.

Auditor's Recommendation

We recommend the WVBPT comply with WV State Auditor's Office Payment Processing Guide Section II B and ensure all invoices are correct, and all invoices for contracted work contain rates matching those listed in the contract. We also recommend the WVBPT seek reimbursement for the WV Attorney General's office for the overpayment of \$11,428.50.

Finding 5 Improper Agency Payment of Employee Health Benefits Caused by Incorrect Payroll Deductions

During our audit of seven payroll expenditures totaling \$10,097.18, we noted two instances where a WVBPT employee was charged an incorrect amount for their insurance premiums.

The audit team was informed the agency received a bill for the difference. This bill included both the agency and employee portions of the health insurance premium. The total amount was paid with agency funds, resulting in the agency paying the employee portion of the bill.

Auditor's Recommendation

We recommend the WVBPT comply with WV Code §21-5c-5, as amended, and ensure payroll deductions are made for the correct amounts. We also recommend the agency review all invoices prior to payment, and only pay invoices for actual agency

expenditures. We further recommend the agency seek reimbursement of \$88.73 from the employee for the overpayment of the premiums.

Finding 6 Lack of Documentation

During the audit of payroll transactions, we noted the health premiums for both employees tested were being included in tax-sheltered income contrary to the employee option to not be included in the tax-sheltered program being chosen. No documentation could be provided to corroborate this change in status.

We also noted one instance where a member of the board received a payment of \$575 for per diem; however, there is only supporting documentation for \$150.

Auditor's Recommendation

We recommend the WVBPT comply with WV Code §5A-8-9, as amended, and properly maintain adequate documentation. Also, we recommend the agency comply with WV Code §21-5c-5, as amended, and complete the appropriate forms to indicate the true intentions of the employee for their withholding, and ensure future employees are adequately informed of their choices to make an educated decision in the future.

Finding 7 Object Code Misclassification

We tested 44 purchasing card transactions totaling \$6,350.09 from a population of \$12,696.38 and noted four instances totaling \$283.00 (4.46%) had misclassifications of object codes. All four instances were the misclassification of monthly internet charges.

Auditor's Recommendation

We recommend WVBPT strengthen internal controls to ensure expenditures comply with the West Virginia State Expenditure Schedule Instructions.

WEST VIRGINIA BOARD OF PHYSICAL THERAPY
JULY 1, 2010 – JUNE 30, 2011

INTRODUCTION

POST AUDIT AUTHORITY

This is the report on the post audit of the West Virginia Board of Physical Therapy for the period of July 1, 2010 – June 30, 2011. Any deviations from the audit period can be found in the Audit Scope section. 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.”

BACKGROUND²

The WV Board of Physical Therapy (WVBPT) is a state regulatory board created by the WV Legislature to regulate the practice of physical therapy in order to protect the public from the unauthorized, unqualified and unregulated practice of physical therapy. They also provide definitions, registration, and title protection of Athletic Trainers. The WVBPT is a part of the Executive Branch of the Government.

² Background information was obtained from the WVBPT website.

**WEST VIRGINIA BOARD OF PHYSICAL THERAPY
JULY 1, 2010 – JUNE 30, 2011**

SPENDING UNIT CONTACTS

West Virginia Board of Physical Therapy

Patricia Holstein Executive Secretary (September 2009 – Present)

Melanie Taylor Board Chair (October 2006 – Present)

Shannon Snodgrass Vice Chair (August 2007 – Present)

WEST VIRGINIA BOARD OF PHYSICAL THERAPY
JULY 1, 2010 – JUNE 30, 2011

AUDIT SCOPE

We have audited the West Virginia Board of Physical Therapy for the period of July 1, 2010 – June 30, 2011. Our audit scope included a review of internal control and compliance with the West Virginia Code, Purchasing Division’s Policies and Procedures, Expenditure Schedule Instructions, applicable State rules, and WVBPT internal policies applicable for fiscal year 2011. We conducted this audit, which is a performance audit, in accordance with the standards applicable to performance audits contained in GAGAS.

OBJECTIVES AND METHODOLOGIES

The objectives of our post audit were to audit WVBPT’s revenues and expenditures; to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by WVBPT that we find; to ascertain facts, and to make recommendations to the Legislature concerning audit findings, the revenues and expenditures of the state and of the organization, and functions of the state and its spending units. Additionally, we were to examine WVBPT’s records and internal control over transactions and to evaluate its compliance with applicable laws, rules, regulations, and WVBPT’s internal policies. This audit stemmed from a letter to the Legislative Auditor about possible misappropriation of funds by a previous Director of the WVBPT.

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

To select transactions for testing, a variation of non-statistical and statistical sampling was used. Our samples of transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. Some transactions for testing were selected randomly using RAT-STAT statistical software and other transactions were selected for testing using professional judgment.

We conducted our post audit, which is a performance audit, in accordance with the standards applicable to performance audits contained in GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a

test basis, evidence about WVBPT's compliance with those requirements referred to above and performing such other procedures, as we considered necessary in the circumstances. Our audit does not provide a legal determination of WVBPT's compliance with those requirements.

In accordance with WV Code §4-2, the Post Audit Division is required to conduct post audits of the revenues and expenditures of the spending units of the state government. The Post Audit Division is organized under the Legislative Branch of the State and our audits are reported to the Legislative Post Audits Subcommittee. Therefore, the Division has historically been organizationally independent when audits are performed on an agency, board, or program of the Executive Branch of the State.

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

This communication is intended solely for the information and use of the Post Audits Subcommittee, the members of the WV Legislature, and management of WVBPT. However, once presented to the Post Audits Subcommittee, this report is a matter of public record and its distribution is not limited. Our reports are designed to assist the Post Audits Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving State operations.

CONCLUSIONS

WVBPT had significant internal control weaknesses and noncompliance in areas of high risk for errors in both revenues and expenditures.

For the items tested, WVBPT did not comply with parts of the following: WV Code, WV State Auditor's Office Payment Processing Guide, WV Expenditure Schedule Instructions, and WV Legislative Rules. Noncompliance with the aforementioned was related to Payroll, Leave, Pcard expenditures, and Contractual and Professional expenditures.

WVBPT failed to maintain an adequate system of internal controls over revenues; therefore, we were unable to determine if all revenues due WVBPT were received and accounted for. The main reasons WVBPT did not maintain adequate internal controls stemmed from a lack of segregation of duties and lack of oversight.

Most of the issues identified in this report result from inadequate recordkeeping, poor or nonexistent internal controls, a lack of segregation of duties, and a lack of oversight on the part of the WVBPT. Overall, WVBPT did not maintain adequate systems or have sufficient, reliable evidence to support certain material information.

EXIT CONFERENCE

We discussed this report with management of WVBPT on November 28, 2012. All findings and recommendations were reviewed and discussed. Any items deemed inconsequential were discussed with management during the informal exit conference held on October 16, 2012. Management's response has been included at the end of the report in Appendix A. The agency's response was not subject to any audit procedures; therefore, we express no conclusion on the validity of the response.

WEST VIRGINIA BOARD OF PHYSICAL THERAPY
JULY 1, 2010 – JUNE 30, 2011

FINDINGS AND RECOMMENDATIONS

Finding 1 Scope Limitation over Revenues Received

Condition: We were unable to determine whether revenues totaling \$261,116.24 were received timely and for the proper amounts because WVBPT does not have adequate internal controls in place to properly track and monitor monies due. The \$261,116.24 was deposited into the State accounting system, WVFIMS; however, we were unable to be certain WVBPT received and deposited all revenues due. Of the \$261,116.24 deposited by WVBPT, 63% was in the form of cash³ and 37% was received through the West Virginia State Treasurer's Office Credit Card Payment System. The lack of internal controls is described in greater detail as follows:

- **Lack of Segregation of Duties Combined with Lack of Management Oversight**

WVBPT's cash receipts were not adequately safeguarded from unauthorized use or disposition. The cash receipt functions were not properly segregated; the employee who deposited cash and entered the deposit information into WVFIMS also prepared the reconciliation. There is only a reconciliation of the agency's deposit spreadsheet to WVFIMS. In addition, there is no oversight of the collection, recording, or reconciliation process, with the exception of the Board Chair reviewing and signing off on the reconciliation quarterly.

- **Lack of Detail in WVFIMS**

The agency was unable to provide adequate records of licenses issued or fees collected. In WVFIMS, fees are combined into a single deposit transaction. These deposit transactions when viewed in WVFIMS show no detailed segregation of types of fees paid.

- **Weakness in Internal Controls over Licensing Database**

We noted the following internal control weaknesses over WVBPT's licensing database:

- There are no procedures for entering information into the licensing database or changing information in the database;

³ Cash includes cash equivalents such as checks, money orders, etc.

- There is not adequate internal control or oversight over the information going in and out of the database;
- Changes in the database are not reviewed;
- Management is not notified when changes are made;
- Information can be manually entered and there are no edits/checks to ensure the data entry is accurate;
- Both WVBPT employees have access to enter and change information in the database, as well as the Information Technology Specialist;
- A reconciliation of licenses/renewals/verifications issued to the recorded fees collected is not performed;
- The agency could not provide adequate reports from their licensee database showing detail of types of fees collected, licenses/renewals/verifications issued, etc.

Criteria:

WV Code §5A-8-9, as amended, 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.”

Management is responsible for establishing and maintaining effective internal controls. A fundamental concept of internal control is adequate segregation of incompatible duties. For adequate segregation of duties, management should ensure responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different employees.

Cause:

The lack of segregation of duties in the receipt of monies, recording of the payment, and the issuance of licenses was due to staffing limitations and lack of oversight.

Effect:

Due to the lack of internal controls and oversight of revenues, we cannot assure ourselves that all monies due to the State were actually collected by WVBPT employees, entered into WVFIMS, and deposited as required. Additionally, there is an increased risk that the employee who processes the fees at the WVBPT office could receive cash, misappropriate the cash, fail to enter the receipt into the accounting system, and then issue the license/renewal/verification, all without being detected. Further, without an effective way to

track fee collections, it is not possible to reconcile what should have been collected to what was collected. Therefore, the risk that not all revenues are being collected or deposited with the State is increased. Inadequate segregation of duties and an overall lack of adequate internal control increases the risk of fraud, theft, loss, misappropriation, etc. which could go unnoticed.

Recommendation: We recommend the WVBPT comply with WV Code §5A-8-9, as amended. Because adequate segregation of duties may not be achievable due to staffing limitations, WVBPT must implement additional safeguards to minimize the risk of fraud. We also recommend that the WVBPT provide effective oversight of the collection and recording of fees and the subsequent issuance of the related licenses/renewals/verifications, etc. Since the WVBPT has such a small staff and it is difficult to adequately segregate duties, we recommend the agency consider using the WV State Treasurer's Office Lock Box System to collect cash or only accept payment of fees by credit card. Further, we recommend the WVBPT prepare independent reconciliations between the information in the licensee database and information entered into FIMS.

**Spending Unit's
Response and
Corrective Action
Plan:**

See Appendix A.

Finding 2

Weakness in Internal Controls over Expenditures

Condition:

We determined there was a lack of internal controls over the expenditures made by the WVBPT during fiscal year 2011. The lack of internal controls is described in greater detail as follows:

- **Lack of Segregation of Duties**

The WVBPT's purchasing/expenditure process was not properly segregated; the same employee approved purchases, made the purchases, often signed for receipt of purchases, entered expenditures into FIMS, and performed monthly reconciliations. Purchases over \$500 were supposed to have Board approval before being made, however if the purchases were deemed an emergency this approval was not obtained. This employee is also the sole P-Card holder and the P-Card coordinator.

- **Lack of Oversight**

There is no oversight of the employee making all the expenditures, recording all the expenditures, and performing the reconciliation, with the exception of the Board Chair reviewing and signing off on the reconciliations monthly.

Criteria:

WV Code §5A-8-9, as amended, 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."

Management is responsible for establishing and maintaining effective internal controls. A fundamental concept of internal control is adequate segregation of incompatible duties. For adequate segregation of duties, management should ensure responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different employees.

WV State Auditor's Office Purchasing Card Policies and Procedures section 2.4.2 segregation of duties, as amended, states in part:

"The Entity P-Card Coordinator(s) should not handle all aspects of the P-Card process. Sufficient internal controls should be established and implemented to ensure that when a P-Card Coordinator is also a cardholder, some other knowledgeable individual such as a direct supervisor or a different Coordinator reviews and approves transactions appearing on the Coordinator's P-Card. The reconciliation process

should include a knowledgeable and independent review of documentation, receipts, and transaction reports.”

Cause: The lack of segregation of duties for the purchasing/expenditure process was due to staffing limitations and lack of oversight.

Effect: Due to inadequate internal controls over expenditures, we are not assured all expenditures were properly made and recorded. Additionally, there is an increased risk unauthorized purchases could be made and not detected. Inadequate segregation of duties and an overall lack of adequate internal control increases the risk of fraud, theft, loss, misappropriation, etc. which could go unnoticed.

Recommendation: We recommend the WVBPT comply with WV Code §5A-8-9, as amended. Because adequate segregation of duties may not be achievable due to staffing limitations, WVBPT must implement additional safeguards to minimize the risk of fraud. We also recommend the WVBPT provide effective oversight of the purchasing/expenditure process including compliance with the WV State Auditor’s Office Purchasing Card Policies and Procedures Section 2.4 as stated in part above.

**Spending Unit’s
Response and
Corrective Action
Plan:**

See Appendix A.

Finding 3**Lack of Internal Controls and Oversight of Employee Leave****Condition:**

We inquired with WVBPT personnel to obtain an understanding of the procedures over the leave process and documented them in order to determine if proper internal controls were in place. During this process, we noted the following:

- Employees are not prohibited from approving their own leave;
- Leave records are not periodically reviewed by a person who is independent of the leave approval and/or recording function;
- A reconciliation of leave records to employee time sheets is not performed;
- There are no internal controls in place to prevent abuse of leave and/or taking leave in excess of accrued balances;
- There is not a time keeping system in place to track the hours worked by the employees, therefore there is no way to ensure time sheets report actual time worked;
- Employees are permitted to accrue compensatory time without the approval of the board.

Further, during our test of WVBPT's employee leave balances for fiscal year 2011, we noted the following issues:

- WVBPT employees took the equivalent of \$1,314.48 in Holiday/Comp Leave during fiscal year 2011;
- The Office Assistant was improperly classified as an exempt employee.
- One instance where an application for Leave with Pay for two hours of sick leave was turned in and approved; however, this is not reflected on the time sheet or deducted from the employee's accrued sick leave;
- Three instances where an employee's time sheet shows zero hours were reported for one of the workdays, resulting in a 32 hour work week but no leave was taken making it difficult to determine if the employee worked and erroneously did not record the time on her timesheet or failed to take leave;
- Two instances where an application for Leave with Pay for the use of holiday leave was not filed or approved;

- One instance where an employee claimed May 10, 2011 as a paid holiday; however, it is not a holiday and no type of leave was taken.

During our review of leave accrued and taken during the period of fieldwork, we noted the following:

- One instance where an employee excessively accrued half an hour Holiday/Comp Leave for working through lunch because of a Board Meeting; however, lunch was provided at the meeting;
- Two instances where an employee accrued Holiday/Comp Leave in the same week as taking annual or sick leave;
- Three instances where an employee excessively accrued Holiday/Comp Leave for attending a FSBPT Meeting in excess of a normal eight hour workday;
- One instance where an employee used two and a half hours sick leave; however, the leave request form was for two and a half hours annual leave;
- While at the WVBPT Office, the auditors observed 11 instances of which the employees should have taken leave, however, the employees used either no leave or took less leave time than they actually should have;
- One instance where an employee claimed to work eight and a half hours on one day and also took an additional half an hour annual leave, resulting in a nine hour workday.

Criteria:

WV Code §5A-8-9, as amended, 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...”

Legislative Rule §143-1, as amended, states in part:

“14.15. Leave Records - Each appointing authority shall maintain a current leave record of the agency’s employees’ accrued and used leave. The appointing authority shall provide each employee access to his or her leave records subject to established rules and on a regular basis of no less than once each pay period. To the extent practical, each appointing authority shall use electronic or other communications media to provide employees with access to their leave records,

provided that the appointing authority makes regular and convenient access to the media used available to each employee in the agency, or otherwise provides access to each employee in the agency. **Supervisors and employees shall attest to the accuracy of the records** on a periodic basis, but not less than twice annually.”

Legislative Rule §143-1, as amended, states in part:

“...14.1. Official Holidays - (a) Employees shall be released from work with pay in observance of the following official holidays: New Year's Day, the first day of January; Martin Luther King's Birthday, the third Monday of January; Presidents' Day, the third Monday of February; Memorial Day, the last Monday in May; West Virginia Day, the twentieth day of June; Independence Day, the fourth day of July; Labor Day, the first Monday of September; Columbus Day, the second Monday of October; Veterans' Day, the eleventh day of November; Thanksgiving Day, the fourth Thursday of November; Lincoln's Day, the 45 fourth Friday of November; Christmas Day, the twenty-fifth day of December; any day on which a Primary or General election is held throughout the State, and, such other days as the President, Governor or other duly constituted authority proclaim to be official holidays or days of special observance or thanksgiving, or days for the general cessation of business...”

Legislative Rule §143-1, as amended, states in part:

“...14.7. Overtime Work and Holiday Work - An appointing authority or his or her designated representative may require an employee to work in excess of the prescribed working hours or on holidays when the work is considered by the employer to be necessary to the public interest. Compensation shall be made in accordance with the federal Fair Labor Standards Act and relevant federal regulations and W. Va. Code §21-5C-1 et seq. **Sick and/or annual leave requested in the same workweek in which additional hours are worked shall be reduced and credited back to the employee's accrued balances to reduce or avoid payment for hours in excess of the agency work schedule...**”
Effective Date: 07/01/2012

WV Code §12-3-13, as amended, states in part:

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

Cause: There appears to be a lack of oversight and segregation of duties in the recording and approval of leave time accrued and taken.

Effect: Because there is no one ensuring time sheets report actual time worked, employees could be receiving payment for services not rendered. Further,

because there are no internal controls or oversight over employee leave, there could in fact be abuse of leave. In addition, allowing exempt employees to accrue holiday leave whenever they feel it is necessary could lead to unnecessary and extravagant spending by the agency.

Recommendation: We recommend WVBPT comply with WV Code §5A-8-9, §12-3-13, and §21-5C-3 and Legislative Rules §143-1-14-15, §143-1-14-1, and §143-1-14-7. Further, we recommend WVBPT implement and utilize a time keeping system to track the hours worked by the employees and reconcile this information with what is reported on the employees' time sheets. Additionally, we recommend WVBPT utilize the West Virginia Department of Administration's Online Leave System. In addition, we recommend WVBPT establish and implement their own policies and procedures over the accrual and use of leave and Holiday/Comp time. Finally, we recommend employees obtain preapproval for the accrual of Holiday/Comp Time and require preapproval for use of annual leave or Holiday/Comp Time.

**Spending Unit's
Response and
Corrective Action
Plan:**

See Appendix A.

Finding 5 **Improper Agency Payment of Employee Health Benefits Caused by Incorrect Payroll Deductions**

Condition: During our audit of seven payroll expenditures totaling \$10,097.18, we noted two instances where a WVBPT employee was charged an incorrect amount for their insurance premiums.

The audit team was informed the agency received a bill for the difference. This bill included both the agency and employee portions of the health insurance premium. The total amount was paid with agency funds, resulting in the agency paying the employee portion of the bill.

After further review, we determined the monthly employee portion difference was \$9.00 for ten months; however PEIA issued a credit for \$1.27 for one of those months. This resulted in \$88.73 of overpayments of health insurance premiums by the agency.

Criteria: **WV Code §21-5c-5**, as amended, states in part:

“Every employer subject to the provisions of this article shall make or cause to be made, and shall keep and preserve at his place of business for a period of two years, a written record or records of the name and address of each of his employees as herein defined, his rate of pay, hours of employment, payroll deductions, and amount paid him for each pay period.”

PEIA Shopper’s Guide Plan Year 2011 states in part:

“Premiums for employees of State agencies, colleges and universities and county boards of education are based on the employee’s annual salary.”

The premium listed for an employee with an annual salary of “\$36,001 - \$42,000 for PEIA PPB Plan A is \$208.”

Cause: PEIA charged the employee an insurance rate based on the employees old position at a different agency and at a lower salary. This resulted in a balance due from the employee and the employer. PEIA sent an invoice, which included both portions of the balance due, directly to the agency of which the agency then inadvertently paid.

The issue of a monthly outstanding balance has been corrected and PEIA is receiving the appropriate amount for the health insurance plan premium.

Effect: The payment of non-agency obligations caused the agency to not have the use of the funds expended.

Recommendation: We recommend the WVBPT comply with WV code §21-5c-5, as amended, and ensure payroll deductions are made for the correct amounts. We also recommend the agency review all invoices prior to payment, and only pay invoices for actual agency expenditures. We further recommend the agency seek reimbursement from the employee in the amount of \$88.73 for the overpayment of the premiums.

**Spending Unit's
Response and
Corrective Action
Plan:**

See Appendix A.

Finding 6 **Lack of Documentation**

Condition: During the audit of payroll transactions, we noted the health insurance premiums for both employees tested were being included in tax-sheltered income contrary to the employee option to not be included in the tax-sheltered program being chosen. No documentation can be provided to corroborate this change in status.

We also noted one instance where a member of the board received a payment of \$575 for per diem; however, there is only supporting documentation for \$150.

Criteria: **WV Code §21-5c-5**, as amended, states in part:

“Every employer subject to the provisions of this article shall make or cause to be made, and shall keep and preserve at his place of business for a period of two years, a written record or records of the name and address of each of his employees as herein defined, his rate of pay, hours of employment, payroll deductions, and amount paid him for each pay period.”

WV Code §5A-8-9, as amended, states in part:

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

Cause: For the tax sheltered insurance premiums, the employee indicated she misunderstood the question and changed the option when inputting the information into the system when she realized the ramifications of the choice.

For the per diem payment, the agency was unable to provide any documentation.

Effect: Income that should have been taxed was sheltered from tax. This caused the employee to benefit from lower tax withholding than the documentation supports. Also, we were unable to determine if per diem amounts were properly paid.

Recommendation: We recommend the WVBPT comply with WV Code §5A-8-9, as amended, and properly maintain adequate documentation. In addition, we recommend the agency comply with WV Code §21-5c-5, as amended. Further, we recommend, WVBPT ensure future employees are adequately informed of their choices to make an educated decision in the future.

**Spending Unit's
Response and
Corrective Action
Plan:**

See Appendix A.

Finding 7**Object Code Misclassification****Condition:**

We tested 44 purchasing card transactions totaling \$6,350.09 from a population of \$12,696.38 and noted four instances totaling \$283.00 (4.46%) had misclassifications of object codes. These transactions are as follows:

<u>#</u>	<u>S-Doc</u>	<u>I-Doc</u>	<u>Description</u>	<u>Amount</u>	<u>Agency Code</u>	<u>Audited Code</u>
1	S006184467	I011209312	Suddenlink Monthly Internet Charges	\$70.75	027	024
2	S006238824	I011264394	Suddenlink Monthly Internet Charges	\$70.75	027	024
3	S006466668	I011460607	Suddenlink Monthly Internet Charges	\$70.75	027	024
4	S006538275	I011875981	Suddenlink Monthly Internet Charges	\$70.75	027	024

Criteria:

The West Virginia Expenditure Schedule Instructions, as amended, states in part:

“024 - Telecommunications: Monthly charges for the following services: office telephones, teleconferencing, long distance charges, data circuits for computers, installations and moving charges, Internet charges...

027 - Computer Services: Charges for computer services by IS&C, WVNET, State Auditor’s Office, legislative computer system, or any other authorized entity for contractual or professional support services for computers and software, programming, machine time, transaction fees, and/or other related computer services...

Cause:

According to the agency the object codes were entered incorrectly until the agency became aware it was using the incorrect object code in May 2011. The agency has been using the correct object code since this time.

Effect:

Misclassification of object codes in the above tested transactions led to an overstatement of \$283.00 in Object Code 027 and understatement of \$283.00 in Object Code 024 resulting in inaccurate financial reporting.

Recommendation:

We recommend WVBPT strengthen internal controls to ensure expenditures comply with the West Virginia State Expenditure Schedule Instructions as stated above.

**Spending Unit’s
Response and
Corrective Action**

Plan:

See Appendix A.

**WEST VIRGINIA BOARD OF PHYSICAL THERAPY
JULY 1, 2010 – JUNE 30, 2011**

SUPPLEMENTAL INFORMATION FUND LISTING⁴

SPECIAL REVENUE FUNDS

Our audit included the following special revenue account. These accounts represent funds from specific activities as required by law or administrative regulations:

8603 Board of Physical Therapy

Licensing fees for the operation of the Board.

⁴ Information obtained from the Budget Division's Digest of Revenue Sources for 2010.

**WEST VIRGINIA BOARD OF PHYSICAL THERAPY
JULY 1, 2010 – JUNE 30, 2011**

APPENDIX A

WEST VIRGINIA BOARD OF PHYSICAL THERAPY'S RESPONSE TO AUDIT FINDINGS



WEST VIRGINIA BOARD OF PHYSICAL THERAPY
101 Dee Drive
Charleston, West Virginia 25311
Telephone: (304) 558-0367 Fax: (304) 558-0369

November 19, 2012

Aaron Allred, Legislative Auditor
Stacy L. Sneed, Director, Legislative Post Audit
Building 1, Room W330
1900 Kanawha Boulevard East
Charleston, WV 25305

Mr. Allred and Ms. Sneed,

Thank you for the opportunity to provide responses to the Legislative Post Audit of the West Virginia Board of Physical Therapy (WVBOPT) for fiscal year 2011. I have included each finding below, in bold, followed by the spending unit response.

Finding 1 Scope Limitation over Revenues Received

Spending Unit's

Response: The WVBOPT will comply with the Auditor's recommendation to implement additional safeguards to minimize the risk of fraud. The WVBOPT has been working with the WV Treasurer's Office for the last year to design new licensing software and we expect to begin utilizing the new software in 2013. The WVBOPT has already discussed the lock box system and requiring licensees and companies to use online applications, renewals, and CJE approval application to attempt to decrease the amount of monies that come into the office. Our new software will also allow us to enter payments so we can reconcile between the information in the licensee database and information entered into FIMS.

Finding 2 Weakness in Internal Controls over Expenditures

Spending Unit's

Response: To comply with the Auditor's recommendation for segregation of duties regarding the purchasing/ expenditure process the WVBOPT has already moved, at the last board meeting, to begin the process to appoint the office assistant as the P Card holder and the Executive secretary will be the coordinator.

Finding 3 Lack of Internal Controls and Oversight of Employee Leave

Spending Unit's

Response: To comply with the Auditor's recommendations the WVBOPT voted at the last meeting to begin use of a time clock for board employees on 12-3-12. The WVBOPT does plan to require the employees use the OASIS system once it is available. Employees have already begun to obtain pre-approval for the accrual of Holiday/Comp time and are now required to have pre-approval for use of annual leave or Holiday/Comp Time leave.

Finding 4 Incorrect Amount Paid on Contractual and Professional Services Provided

Spending Unit's

Response: The WVBOPT has already sent a letter to the office of the Attorney General to seek reimbursement or credit to our account to correct the overpayment of invoices. The Executive Secretary also now double checks all invoices with past paid invoice to ensure correctness and decrease risk of mistakes in payments in the future.

Finding 5 Improper Agency Payment of Employee Health Benefits

Spending Unit's

Response: The WVBOPT will comply with the Auditor's Recommendation to review all invoices prior to payment, and only pay invoices for actual agency expenditures and will ensure all payroll deductions are made for the correct amounts. The WVBOPT has also received reimbursement from the employee for the amount of \$88.73 for the overpayment of premiums.

Finding 6 Lack of Documentation

Spending Unit's

Response: The WVBOPT has corrected the appropriate forms to indicate the true intentions of the employee for their withholdings, and ensure future employees are adequately informed of their choices to make an educated decision in the future.



Finding 7 Object Code Misclassification

Spending Unit's

Response: The WVBOPT corrected this mistake in May 2011 when the mistake was identified and corrected to use of the proper code.

Sincerely,

Melanie Taylor PT.

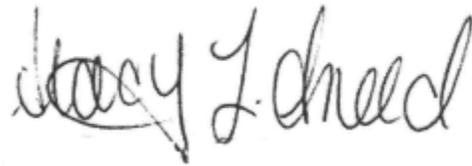
Melanie Taylor, PT
Board Chair

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, CICA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 11th day of December 2012.

A handwritten signature in black ink that reads "Stacy L. Sneed". The signature is written in a cursive style with a large, stylized initial 'S'.

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

Notification of when the report was released and the location of the report on our website was sent to the Secretary of the Department of Administration to be filed as a public record. Report release notifications were also sent to the West Virginia Board of Physical Therapy; Governor; Attorney General; and State Auditor.