

*Original*

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

***WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD/  
WEST VIRGINIA AIR QUALITY BOARD  
(ENVIRONMENTAL BOARDS)***

FOR THE PERIOD

JULY 1, 1996 - JUNE 30, 1999



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD/

WEST VIRGINIA AIR QUALITY BOARD

(ENVIRONMENTAL BOARDS)

For The Period

JULY 1, 1996 - JUNE 30, 1999

**WEST VIRGINIA LEGISLATURE**  
*Joint Committee on Government and Finance*

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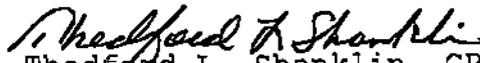
**CHARLESTON, WEST VIRGINIA 25305-0844**

To the Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the West Virginia Environmental Quality Board and the West Virginia Air Quality Board (Environmental Boards).

Our examination covers the period July 1, 1996 through June 30, 1999. The results of this audit are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 1999, and June 30, 1998, are included in this report. The financial statements for the year ended June 30, 1997 are included in our audit workpapers.

Respectfully submitted,

  
Theford L. Shanklin, CPA, Director  
Legislative Post Audit Division

TLS/ela

WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD/

WEST VIRGINIA AIR QUALITY BOARD

(ENVIRONMENTAL BOARDS)

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WEST VIRGINIA AIR QUALITY BOARD/  
WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD  
(ENVIRONMENTAL BOARDS)  
EXIT CONFERENCE

We held an exit conference on June 8, 2000, with the Office Supervisor of the Environmental Boards. All findings and recommendations were reviewed and discussed. The above official's responses are included in italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks sections of this report.

WEST VIRGINIA AIR QUALITY BOARD/  
WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD  
(ENVIRONMENTAL BOARDS)

INTRODUCTION

West Virginia Code Chapter 22B governs the following three environmental boards: West Virginia Air Quality Board; West Virginia Environmental Quality Board; and the West Virginia Surface Mine Board. Chapter 22B of the West Virginia Code explicitly states the three boards shall share physical facilities, hearing rooms, technical and support staff and general overhead; however, the West Virginia Surface Mine Board has not consolidated its facilities, hearing rooms, technical and support staff and general overhead with the West Virginia Air Quality Board and the West Virginia Environmental Quality Board.

West Virginia Air Quality Board

The West Virginia Air Quality Board (AQB) was created to provide efficient and equitable remedies for the regulated community and members of the general public who file appeals of permitting and enforcement actions of the West Virginia Division of Environmental Protection and the West Virginia Office of Air Quality. The AQB also promulgates procedural rules governing the West Virginia Air Quality Board.

The AQB consists of seven members, including the Commissioner of the Bureau for Public Health and the Commissioner of Agriculture, or their designees, both of whom are members ex-

officio, and five other members who are appointed by the Governor with the advice and consent of the West Virginia Senate. According to the statute, the five members appointed by the Governor are to be composed of two representatives of industries engaged in business in this State and three representatives of the public at large.

The appointed members of the AQB are appointed for overlapping terms of five years, excepting the original appointments that are for terms of one, two, three, four and five years, respectively. Any member whose term expires may be reappointed by the Governor. If a board member is unable to complete the term, the governor shall appoint a person with similar qualification to complete the term. Any vacancy occurring in the office of a member of the AQB is required to be filled by appointment within sixty days after such vacancy occurs.

Appointed members receive the same compensation and expense reimbursement as is paid to members of the Legislature for their interim duties.

#### West Virginia Environmental Quality Board

The West Virginia Environmental Quality Board (EQB) was created to provide efficient and equitable remedies for the regulated community and members of the general public who file appeals of permitting and enforcement actions of the West Virginia Office of Water Resources and the West Virginia Office of Waste Management. Also, the EQB promulgates water-quality and groundwater standards to protect the surface and groundwaters of

the State. In addition, the EQB promulgates procedural rules governing the administration of various EQB activities.

The EQB consists of five members appointed by the Governor with the advice and consent of the Senate. The five Governor-appointed members are composed of individuals who by reason of previous training and experience are knowledgeable in the husbandry of the State's water resources and with at least one member with experience in industrial pollution control.

The appointed members of the EQB are appointed for overlapping terms of five years, excepting the original appointments that are for terms of one, two, three, four and five years, respectively. Any member whose term expires may be reappointed by the Governor. If a board member is unable to complete the term, the governor shall appoint a person with similar qualification to complete the term. Any vacancy occurring in the office of a member of the EQB is required to be filled by appointment within sixty days after such vacancy occurs.

Appointed members receive the same compensation and expense reimbursement as is paid to members of the Legislature for their interim duties.

WEST VIRGINIA AIR QUALITY BOARD

BOARD MEMBERS AND STAFF

JUNE 30, 1999

<u>MEMBERS</u>	<u>TERM EXPIRES</u>
Michael Koon, Chair . . . . .	June 30, 1999
Robert L. Foster, Vice Chair . . . . .	June 30, 2002
Ann Calvert . . . . .	June 30, 2003
Thomas Hansen . . . . .	June 30, 2000
Jean C. Neely . . . . .	June 30, 2001

EX OFFICIO MEMBERS

Janet L. Fisher . . . . .	Ex Officio Designee for the Commissioner of Agriculture
Donald A. Kuntz . . . . .	Ex Officio Designee for the Commissioner of the Bureau of Public Health

STAFF

Ann L. Holstein . . . . .	Administrative Secretary
Rebecca S. Charles . . . . .	Legal Counsel
Elizabeth M. Chatfield . . . . .	Office Supervisor
Vacant . . . . .	Clerk of the Boards

WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD

BOARD MEMBERS AND STAFF

JUNE 30, 1999

MEMBERS

Term Expires

Dr. Edward Snyder, Chair . . . . .	June 30, 2001
Dr. Donald Tarter, Vice Chair . . . . .	June 30, 2000
Dr. Charles Jenkins . . . . .	June 30, 1999
Betsy E. Dulin . . . . .	June 30, 2003
Dr. David Samuel . . . . .	June 30, 2002

STAFF

Ann L. Holstein . . . . .	Administrative Secretary
Elizabeth M. Chatfield . . . . .	Technical Advisor/Office Supervisor
Rebecca S. Charles . . . . .	Legal Counsel
Vacant . . . . .	Clerk of the Boards

WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD

WEST VIRGINIA AIR QUALITY BOARD

(ENVIRONMENTAL BOARDS)

SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

Improper Purchasing Card Transactions  
and Missing Documentation

1. We noted the Boards had \$3,369.06 of State Purchasing Card transactions which lacked receipts, including \$233.80 of purchases for which we could not determine any legitimate State business purpose. The Boards eventually received either credits from vendors or reimbursements from a former employee for the \$233.80 of questionable purchases. Also, the Boards either could not locate log sheets or the log sheets were incomplete for State Purchasing Card transactions totaling \$5,206.87.

We recommend the Boards comply with the State Auditor's Purchasing Card Policies and Procedures. Also, we recommend the Boards determine whether the questionable use of the State Purchasing Card noted by us should be considered for referral to the proper legal authorities as set forth in Chapter 12, Article 3, Section 10b of the West Virginia Code.

Boards' Response

*We will comply with the audit recommendation. (See pages 14-20)*

Possible Conflict Between the West Virginia Code and  
An Opinion of the Attorney General

2. The Boards granted 15 days of severance pay totaling \$1,321.00 to a former employee who was not covered by the Division of Personnel's (DOP) rules and regulations, we were told the Boards were advised to make the payment due to the advice contained in an Attorney General's Opinion dated December 2, 1977 dealing with the prevention of unequal treatment of noncivil service State employees and State civil service employees.

Boards' Response

*The Board's decision was based on advice from the Division of Environmental Protection after consultation with the Division of Personnel. (See pages 20-22)*

Inventory Records

3. We could not locate one computer system purchased on September 23, 1994 at a cost of \$1,705.00 which the Boards' staff indicated had been transferred to the Surplus Property Unit (SPU) of the Department of Administration; however, the SPU had no record of having received the computer. Also, another computer system costing \$2,330.00 was observed by us, but was not shown on the Boards' inventory listing and we also noted the Boards were not taking an annual inventory as required by Chapter 5A, Article 3, Section 35 of the West Virginia Code.

We recommend the Boards comply with Chapter 5A, Article 3, Section 35 of the West Virginia Code.

Boards' Response

*We will comply with the audit recommendation. (See pages 22-24)*

Duplicate Payments

4. We located four instances totaling \$419.12 where the Boards paid twice for the same goods or services in violation of Chapter 12, Article 3, Section 9 of the West Virginia Code. We recommend the Boards comply with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended.

Boards' Response

*We will comply with the audit recommendation. (See pages 24-26)*

Overpayment of Travel Allowances

5. We found 34 instances where members of either the Environmental Quality Board or the Air Quality Board were paid the overnight per diem rate of \$85.00 for travel expenses rather than the commuting per diem rate of \$45.00; the combined total received in error by all Board members totaled \$1,400.00.

We recommend the Boards comply with Chapter 22B, Article 1, Section 4, as amended, and Chapter 4, Article 2A, Section 7 of the West Virginia Code, as amended.

Boards' Response

*We are now in compliance with the audit recommendation. (See pages 26-29)*

Untimely Invoice Payments

6. We found the Boards did not pay twelve invoices totaling \$2,806.32 within 60 days as required by the West Virginia Code. Also, we observed the Boards were assessed and paid \$83.26 in interest and penalties by the Workers' Compensation Division for failing to timely file and pay the premium for the quarter ended September 30, 1997. We recommend the Boards comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code.

Boards' Response

*We will comply with the audit recommendation. (See pages 29-31)*

Expense Allocations

7. We were unable to determine the method used by the Boards to allocate \$14,379.63 in expenses between the budgets of the Environmental Quality Board and the Air Quality Board. Also, we located travel expenses for Board members of both boards which were paid from the budget of the wrong Board. We recommend the Boards comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

Boards' Response

*We will comply with the audit recommendation. (See pages 31-33)*

Inadequate/Missing Accounting Records

8. The Boards could not locate Financial Information Management System (WVFIMS) cover sheets and supporting documentation for disbursements totaling \$5,545.04, a limited number of contracts and agreements were not available and the Public Employees Insurance billings for July 1997 - October 1998 could not be found.

We recommend the Boards comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

Boards' Response

*We will comply with the audit recommendation. (See pages 34-37)*

Calculations of Annual Increment/  
Payroll Adjustments/Terminal Leave Settlements

9. We noted one former employee was overpaid a net amount of \$209.03 by the Boards while another former employee was underpaid a net amount of \$10.57.

We recommend the Boards comply with Chapter 12, Article 3, Section 13, as amended and Chapter 5, Article 5, Section 2, as amended, of the West Virginia Code.

Boards' Response

*We will comply with the audit recommendation. (See pages 37-39)*

Incorrect Sick and Annual Leave Balances

10. We located errors in the sick and annual leave balances of several current and former employees of the Boards which can result in employee being overpaid when they leave employment with the Boards.

We recommend the Boards follow their annual leave policy for determining their employees' annual leave accrual rates.

Boards' Response

*No response by the Boards. (See pages 40 and 41)*

WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD/

WEST VIRGINIA AIR QUALITY BOARD

(ENVIRONMENTAL BOARDS)

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the West Virginia Environmental Quality Board and the West Virginia Air Quality Board (Boards) for the period July 1, 1996 through June 30, 1999.

GENERAL REVENUE ACCOUNTS

Expenditures required for the general operations of the West Virginia Environmental Quality Board were made from the following appropriated accounts:

<u>NUMBER</u>	<u>DESCRIPTION</u>
0270-001 . . . . .	Personal Services
0270-004 . . . . .	Annual Increment
0270-010 . . . . .	Employee Benefits
0270-099 . . . . .	Unclassified

Also, expenditures for the general operations of the West Virginia Air Quality Board were made from the following appropriated account:

<u>NUMBER</u>	<u>DESCRIPTION</u>
0550-096 . . . . .	Unclassified

SPECIAL REVENUE ACCOUNTS

In addition, the West Virginia Environmental Quality Board utilized the following special revenue account which was funded by transfers from the West Virginia Division of Environmental Protection:

<u>FUND NUMBER</u>	<u>DESCRIPTION</u>
3275-640 . . . . .	Special Revenue - Operating Fund Transfers from Funds 3220 and 3325; to pay expenses of the Environmental Quality Board

COMPLIANCE MATTERS

Chapter 22B, Articles 1, 2, and 3 generally govern the West Virginia Environmental Quality Board and the West Virginia Air Quality Board. We tested applicable sections of the above, plus bond resolutions, general State regulations and other sections of the West Virginia Code as they pertain to fiscal matters. Our findings are discussed below.

Improper Purchasing Card Transactions  
and Missing Documentation

The State Auditor's Purchasing Card Policies and Procedures, states in part:

"A receipt is required for all transactions. A receipt must contain specific information and meet certain conditions, but it may be in any form . . . Each cardholder is required to maintain a log for recording purchasing card transactions details. . . ."

The Boards could not find receipts totaling \$3,369.06 for the following Purchasing Card transactions:

<u>WVFIMS</u> <u>Document ID</u>	<u>Vendor</u>	<u>Transaction</u> <u>Date</u>	<u>Amount</u>
I002915552	WV GEOLOGICAL SURVEY	09/26/97	\$ 38.50
I003022135	WASTE NEWS	11/11/97	19.00
I003206905	QUARTERDECK SELECT CORP	03/12/98	22.95
I003256020	ELSEVIER SCIENCE BV	04/22/98	60.00
I003414812	STAPLES #352	06/08/98	399.99
I003414812	ROSE CITY PRESS INC.	06/23/98	5.99
I003414812	WEBSITE OBSESSION	07/27/98	44.95
Not Applicable	WEBSITE OBSESSION	07/27/98	45.00
I003414812	SERVICE OFFICE SUPPLY	06/01/98	47.83
I003414812	SODAROS ELECTRONIC SUPPLY	06/10/98	22.95
I003414812	SODAROS ELECTRONIC SUPPLY	05/07/98	81.00
I003578397	BOISE CASCADE	11/10/98	12.24
I003578397	DAY BY DAY	11/27/98	45.50
I003578397	BOISE CASCADE	11/10/98	4.38
I003703012	HOURLY COMPUTER SERVICE	02/03/99	149.00
I003703012	CAM AUDIO INC.	02/26/99	30.95
I003703012	CMB ENTERPRISES	02/11/99	20.00
I003835239	BABYCENTER	05/14/99	23.95
I003835239	HOURLY COMPUTER SERVICE	03/22/99	19.00
I003835239	HOURLY COMPUTER SERVICE	03/22/99	115.00
I003835239	HOURLY COMPUTER SERVICE	03/22/99	65.00
I003835239	USPS	05/13/99	12.50
I003835239	TYLER MOUNTAIN WATER	04/19/99	47.40
I003835239	BLUMBERG EXCELSIOR	03/24/99	207.00
I003835239	HOURLY COMPUTER SERVICE	03/22/99	195.00
I003835239	WEST GROUP	03/26/99	307.66
I003835239	RESOURCE DATA SERVICE	03/22/99	330.00
I003835239	LEXUS LAW PUBLISHING	03/23/99	149.42
I003835239	KROGERS #754	03/24/99	13.84
I003935137	KINKO'S	07/22/99	48.43
I003935137	USPS	07/23/99	55.05
I003963380	HOURLY COMPUTER SERVICE	06/22/99	130.00
I003963380	CCI CREDIT REPORT FEE	06/18/99	59.95
I003963380	THOMPSON PUBLISHING	06/15/99	269.00
I003963380	CCI CREDIT REPORT FEE	06/18/99	59.95
I003963380	FRED PRYOR	06/29/99	149.00
I003963380	SKILLPATH / COMPUMASTER	06/02/99	68.64
I003963399	RITE AID	08/23/99	25.82
I003963399	USPS	08/23/99	12.22
<b>Total</b>			<b><u>\$3,369.06</u></b>

We were unable to identify any legitimate State business purpose in relation to those charges shown in bold in the above schedule. The charges in question total \$233.80. We noted the Boards received a credit of \$119.90 in September 1999 for the CCI Credit Report charges, a credit of \$45.00 on July 31, 1998 for one of the charges to Website Obsession and another credit of \$44.95 on September 16, 1999 for the other Website Obsession Charge. We also noted the Boards' former Administrative Secretary reimbursed \$23.95 to the Boards relating to the Baby Center charge of May 14, 1999.

Use of the State Purchasing Card for any purpose other than official State purchases is governed by Chapter 12, Article 3, Section 10b of the West Virginia Code which states,

"It is unlawful for any person to use a state purchase card, issued in accordance with the provisions of section ten-1 [§12-3-10a] if this article, to make any purchase of goods or services in a manner which is contrary to the provisions of section ten-a of this article or the rules promulgated pursuant to that section. Any person who violates the provisions of this section is guilty of a felony and, upon conviction thereof, shall be confined in the penitentiary not less than one nor more than five years, or fined no more than five thousand dollars, or both fined and imprisoned."

Also, the Boards could not locate log sheets or the log sheets were incomplete for the following Purchasing Card transactions totaling \$5,206.87:

<u>WVFIMS</u> <u>Document ID</u>	<u>Warrant Date</u>	<u>Fund/Object</u> <u>Code</u>	<u>Amount</u>
I002915552	10/21/97	0270/055 & 0550/055	\$ 38.50
I003022135	12/29/97	0270/055 & 0550/055	19.00

<u>WVFIMS</u> <u>Document ID</u>	<u>Warrant Date</u>	<u>Fund/Object</u> <u>Code</u>	<u>Amount</u>
I003150418	03/23/98	3275/079	354.92
I003206905	04/23/98	0270/055	102.14
I003256020	05/27/98	0270/055	699.73
I003414812	08/28/98	0270/055	602.71
I003475775	10/14/98	0270/055	4.00
I003578397	12/22/98	0270/055	108.59
I003578397	12/22/98	0550/055	108.58
I003659154	02/22/99	0550/079	299.00
I003703012	03/23/99	0550/055	415.26
I003835239	06/29/99	0270/055	1,546.83
I003935137	09/02/99	0270/021	48.43
I003935137	09/02/99	0270/023	17.45
I003935137	09/02/99	0270/053	55.05
I003963380	09/21/99	3275/020	269.00
I003963380	09/21/99	3275/023	10.45
I003963380	09/21/99	3275/025	119.90
I003963380	09/21/99	3275/052	217.64
I003963380	09/21/99	3275/053	1.65
I003963380	09/21/99	3275/061	130.00
I003963399	09/21/99	0270/020	25.82
I003963399	09/21/99	0270/053	<u>12.22</u>
		<b>Total</b>	<b><u>\$5,206.87</u></b>

Because the Boards did not maintain receipts and log sheets for the aforementioned items, we were unable to establish the nature of the purchases and whether the Boards received the benefit of the purchases.

We recommend the Boards comply with the State Auditor's Purchasing Card Policies and Procedures. Also, we recommend the Boards determine whether the questionable use of the State Purchasing Card noted by us should be considered for referral to the proper legal authorities as set forth in Chapter 12, Article 3, Section 10b of the West Virginia Code.

### Boards' Response

As you are aware, this post audit was conducted based on a request made by the Chairs of the Environmental Quality Board and Air Quality Board by letter dated September 30, 1999. (Attachment 1). The basis for the request was our discovery that a Board employee had made unauthorized purchases on a State Purchasing Card. After the discovery of these unauthorized purchases, the Boards dismissed the employee and requested this audit to verify the integrity of our financial records. We also note that the Boards had originally requested a post audit on November 19, 1998. (Attachment 2).

As a general response to a number of items, we wish to advise the committee of the steps the Boards have taken to improve their performance since the post audit was conducted. Staffing changes, including the dismissal discussed above and filling that vacancy, as well as another vacant position, have resulted in significant improvements in the office record maintenance. We have updated our record-keeping procedures to provide improved oversight of a number of activities, including maintenance of the purchasing card logs, processing of invoices, sick and annual leave reporting, and inventory management. We have also sought assistance from the Division of Environmental Protection to develop appropriate internal controls on processing invoices and maintaining financial records. All staff members have received training from the Purchasing Card Office on Purchasing Card use. In addition, our Administrative Secretary has received further training on the use

of the Purchasing Card, as well as the FIMS program and other administrative procedures. We believe that, based on these activities, the Boards' performance has improved in all aspects identified in the post audit report.

As noted in the general comments above, we acknowledge the concerns regarding the unauthorized purchases made on the Purchasing Card; in fact they were the primary reason for requesting this post audit. We have taken steps to avoid the repeat of such occurrences by establishing review procedures for payment of the purchasing card invoices. The Office Supervisor reviews the payment of all invoices, including the purchasing card invoices, prior to submission to the Auditor's office. All cardholders have attended training through the Purchasing Card Office.

We also note that the unauthorized use of the Purchasing Card was reported to the Purchasing Card Office as soon as it was discovered. The Boards requested and received advice from that office regarding the appropriate steps to take. After providing such assistance and advice, that agency conducted a post audit of the use of the Boards' Purchasing Cards on February 2, 2000. The audit report indicated that for the audit period ending on February 2, 2000 the Purchasing Card records were in order. (Attachment 3)

Your report suggests that the Boards determine whether to refer the incidents of the unauthorized use of the Purchasing Card to the proper legal authorities as set forth in Chapter 12, Article 3, Section 10b of the West Virginia Code. We understand Chapter

12, Article 4A of the Code, which provides for centralized management of complaints, to address the procedures for referral of such activities for further action. Sections 12-4A-2 and 4 indicate that the state auditor has the authority to receive reports of fraud, or misappropriation of state funds and to refer such reports to the appropriate authorities. We believe that by promptly reporting the unauthorized use of the card to the Purchasing Card Office and requesting that office's assistance in responding to the matter, that we have met our obligation in pursuing the incident.

Possible Conflict Between the West Virginia Code and an Opinion of the Attorney General

The Boards granted a former employee 15 days of severance pay totaling \$1,321.00 after involuntarily discharging the employee effective August 17, 1999. Chapter 29, Article 6, Section 10, Subsection 12 of the West Virginia Code, as amended, grants classified employees under the Civil Service System the right to severance pay under certain circumstances. Specifically Chapter 29, Article 6, Section 2 of the West Virginia Code, states in part:

"As used in this article ... "Classified-exempt service" means an employee ... who is not covered under the civil service system ... "Classified service" means an employee ... who is covered under the civil service system ..."

Also, Chapter 29, Article 6, Section 10, Subsection 12 of the West Virginia Code, as amended, states in part:

"For discharge or reduction in rank or grade only for cause of employees in the classified service. . . . upon an involuntary discharge for cause, the employer may require immediate separation from the workplace, or the employee

may elect immediate separation. If separation is required by the employer in lieu of any advance notice of discharge, or if immediate separation is elected by an employee who receives notice of an involuntary discharge for cause, the employee is entitled to receive severance pay attributable to time the employee otherwise would have worked, up to a maximum of fifteen calendar days following separation. . . ."

The Boards' employees, however, are classified-exempt employees that by definition are not covered under the Civil Service System. Consequently, based on the aforementioned provisions of the West Virginia Code, it appears the Boards' employees would not be authorized to receive the 15 days of severance pay. However, an Attorney General's Opinion dated December 2, 1977, suggests that noncivil service State employees should generally receive equal benefits provided to State civil service employees.

The aforementioned Attorney General's Opinion states in part:

". . . In order to prevent unequal or discriminatory practices, vacation, sick leave and related benefits for noncivil service State employees generally should be equal to such benefits provided to State civil service employees. . . ."

We could locate no provisions of the West Virginia Code which indicate that employees not covered under the Civil Service System would be authorized to receive the 15 days of severance pay upon being involuntarily discharged. Therefore, we believe a possible conflict may exist between the provisions of Chapter 29, Article 6 of the West Virginia Code and the Attorney General's

Opinion dated December 2, 1977, which states that noncivil service State employees and civil service State employees should generally receive equal benefits.

#### Boards' Response

*We recognize the possible conflict identified in this section. The Boards' decision and action regarding the dismissal were made based on advice from the Division of Environmental Protection, who consulted with the Division of Personnel. We believe that this area of law is unclear, and would certainly welcome further guidance on such issues.*

#### Inventory Records

Our audit revealed the Boards do not have up-to-date inventory records. The most current inventory listing the Boards could find was dated August 22, 1996. We could not locate one computer system on this listing having State Tag Numbers 1013, 1014, and 1015, which according to the listing was purchased on September 23, 1994 at a cost of \$1,705.00. We were given a Surplus Property Disposition Form, which the Boards indicated they prepared to dispose of the computer system; however, the form did not have signatures of approval from the Surplus Property Unit (SPU) of the Department of Administration's Purchasing Division indicating the SPU received the equipment or approved the Boards' requested method of inventory disposition (Sale on Site).

We contacted Ken Frye, Manager of the SPU, to determine whether the SPU had a record of approving the Boards' requested method of disposition or any other information related to the

disposal of the computer system. Mr. Frye said the SPU did not have any record of receiving the computer system or approving the Boards' requested method of disposition.

We also selected one tagged computer (tag #1003) and monitor (tag #1004) which had a combined cost of \$2,330.00 to determine whether the items were included on the Boards' inventory list. We found these items were not included on the inventory list.

Chapter 5A, Article 3, Section 35 of the West Virginia Code states:

"The head of every spending unit of state government shall, on or before the fifteenth day of July of each year, file with the director an inventory of all real and personal property, and of all equipment, supplies and commodities in its possession as of the close of the last fiscal year, as directed by the director."

Based on the aforementioned problems that we identified, it is apparent the Boards do not have an effective system of accounting controls over maintaining current inventory records and inventory disposal records. We believe up-to-date inventory records and accurate inventory disposal records are essential for safeguarding equipment from theft or unauthorized use.

We recommend the Boards comply with Chapter 5A, Article 3, Section 35 of the West Virginia Code.

#### Boards' Response

*The Boards acknowledge the concerns raised in this section. As indicated in our general comments, we have instituted procedures to ensure compliance with Chapter 5A, Article 3, Section*

35 of the West Virginia Code. The staffing changes described in the general comments have resulted in improvements in maintaining records of items sent to the Surplus Property Unit, and equipment inventory, generally.

Duplicate Payments

We found three instances totaling \$269.12 where the Boards paid for the same goods/services twice as shown below:

<u>VENDOR</u>	<u>FUND/ACTIVITY/ OBJECT CODE</u>	<u>INVOICE NUMBER</u>	<u>WVFIMS DOCUMENT ID</u>	<u>PAYMENT DATE</u>	<u>AMOUNT PAID</u>
Bell Atlantic- Cris	3275/099/024	W96060291	I 2174837	01/29/97	\$220.50
Bell Atlantic- Meridian	3275/099/024	W96060291	I 2466944	08/04/96	\$220.50
Lucent Technologies	0270/099/024	170725644	I 2240137	09/18/96	\$ 24.63
Lucent Technologies	0550/096/038	170725644	I 2306938	10/15/96	\$ 24.63
Michie	3275/099/077	F88836	I 2348857	11/11/96	\$ 23.99
Michie	0270/099/077	F88836	I 2392519	12/04/96	\$ 23.99

Our review of transactions after June 30, 1999, through our last day of field work--March 13, 2000,-- also revealed one duplicate payment to the West Virginia Secretary of State's Office for the Boards' subscription to the West Virginia Code of State Rules for fiscal year 2000. Details of the duplicate payment are shown in the following table:

<u>WVFIMS Document ID</u>	<u>Invoice Number</u>	<u>Cover Sheet Date</u>	<u>Fund/Object Code</u>	<u>Amount</u>
E325637	991646	06/22/99	0270/077	\$150.00
E343159	991646	11/16/99	3275/077	\$150.00

Chapter 12, Article 3, Section 9, of the West Virginia Code, as amended, states in part:

"Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the state treasury, shall, before any such money is paid out of the state treasury, certify to the auditor that the money for which such requisition is made is needed for present use for the purposes for which it was appropriated . . ."

We believe these duplicate payments would violate the aforementioned provisions of the West Virginia Code because it would be improper to requisition funds to pay for goods and services which the State has not received.

The Boards' Office Supervisor could not explain why the Boards paid for the same goods/services twice for the duplicate payments before June 30, 1999; consequently, the State did not receive any benefit for these duplicate expenditures totaling \$269.12.

The Office Supervisor said the duplicate payment to the West Virginia Secretary of State's Office probably occurred when the Division of Environmental Protection (DEP) processed the Boards' invoices after the Boards' former Administrative Secretary was discharged effective August 17, 1999 and that DEP must not have been aware the invoice was previously processed by the Boards. As a result, the Boards received no additional benefit for the second payment of \$150.00.

We recommend the Boards comply with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended.

Boards' Response

The Boards acknowledge the concerns raised in this section. As outlined in our general comments, we have sought assistance from the Division of Environmental Protection regarding processing payments. The staffing changes described above have also resulted in improvements in payment processing and record maintenance.

Overpayment of Travel Allowances

We found 29 instances where the Boards paid the members of the AQB and EQB the overnight per diem rate of \$85 per day for their travel allowances when they should have received the commuting per diem rate of \$45 per day. The details of these 29 instances were as follows:

<u>Board Member</u>	<u>Board</u>	<u>WVFIMS Document ID</u>	<u>Date Of Travel</u>	<u>Amount of Overpayment</u>
Charles Jenkins	EQB	I002845886	08/22/97	\$ 40.00
Charles Jenkins	EQB	I003089329	12/19/97	40.00
Charles Jenkins	EQB	I003414615	06/04/98	40.00
Charles Jenkins	EQB	I003414615	07/13/98	40.00
Charles Jenkins	EQB	I003414615	07/21/98	40.00
Charles Jenkins	EQB	I003414615	08/19/98	40.00
Charles Jenkins	EQB	I003530545	10/23/98	40.00
Charles Jenkins	EQB	I003813811	03/25/99	40.00
Charles Jenkins	EQB	I003813811	04/30/99	40.00
Charles Jenkins	EQB	I003813811	05/18/99	40.00
Charles Jenkins	EQB	I003887346	06/25/99	40.00
Charles Jenkins	EQB	I003887346	07/16/99	40.00
David Samuel	EQB	I002796114	07/24/97	40.00
David Samuel	EQB	I003414649	06/05/98	40.00
David Samuel	EQB	I003414649	07/13/98	40.00
David Samuel	EQB	I003414649	07/21/98	40.00
David Samuel	EQB	I003813807	03/26/99	40.00
David Samuel	EQB	I003813807	04/30/99	40.00
David Samuel	EQB	I003813807	05/18/99	40.00
Donald Tarter	EQB	I003111028	12/19/97	40.00
Edward Snyder	EQB	I002898533	09/29/97	40.00
Edward Snyder	EQB	I003206279	04/18/98	40.00

<u>Board Member</u>	<u>Board</u>	<u>WVFIMS Document ID</u>	<u>Date Of Travel</u>	<u>Amount of Overpayment</u>
Edward Snyder	EQB	I003530554	10/24/98	40.00
Edward Snyder	EQB	I003602658	01/09/99	40.00
Edward Snyder	EQB	I003602658	01/12/99	40.00
Edward Snyder	EQB	I003813814	03/26/99	40.00
Edward Snyder	EQB	I003813814	04/30/99	40.00
Edward Snyder	EQB	I003813814	05/18/99	40.00
Michael Koon	AQB	I003414772	08/19/98	40.00
Jean Neely	AQB	I003414686	08/19/98	40.00
			<b>Total</b>	<b><u>\$1,200.00</u></b>

In addition, our review of transactions after June 30, 1999, through our last day of field work (March 13, 2000) revealed five more instances where the Boards paid two Board Members the overnight per diem rate of \$85 per day for their travel allowances when they should have received the commuting per diem rate of \$45 per day as shown in the following table:

<u>Board Member</u>	<u>Board</u>	<u>WVFIMS Document ID</u>	<u>Date Of Travel</u>	<u>Amount of Overpayment</u>
Charles Jenkins	EQB	I3887346	06/24/99	\$ 40.00
Charles Jenkins	EQB	I3887346	07/15/99	40.00
Edward Snyder	EQB	I3887518	06/24/99	40.00
Edward Snyder	EQB	I3887518	07/15/99	40.00
Edward Snyder	EQB	I3887518	07/20/99	40.00
			<b>Total</b>	<b><u>\$200.00</u></b>

Chapter 22B, Article 1, Section 4 of the West Virginia Code, as amended, states in part:

"Each member of a board, other than an ex officio member, shall be paid the same compensation and expense reimbursement as is paid to members of the Legislature for their interim duties . . . "

In addition, Chapter 4, Article 2A, Section 7 of the West Virginia Code, as amended, concerning legislators' expenses states in part:

"(a) Each member of the Legislature who does not commute daily shall receive the sum of eighty-five dollars per day as per diem allowance in connection with any regular, extended, extraordinary session, interim assignment . . . Any member of the Legislature who does commute daily shall receive the sum of forty-five dollars per day as said per diem allowance . . ."

The Boards' Office Supervisor said the Boards recently became aware of the incorrect manner the Board Members were being reimbursed for their per diem travel allowances and that currently the Boards are processing the Board Member's travel reimbursements properly. In addition, the Boards' Office Supervisor said the Board members did not repay any of the \$1,400.00 in overpayments that we identified.

We recommend the Boards comply with Chapter 22B, Article 1, Section 4, as amended, and Chapter 4, Article 2A, Section 7 of the West Virginia Code, as amended.

#### Boards' Response

*The Boards acknowledge the concerns raised in this section. The Boards' authorizing statute, Chapter 22B, Article 1, section 4(a), provides that Board member expense reimbursement shall be the same as is paid to members of the Legislature for their interim duties. In establishing our procedures for travel payments prior to the time of the audit, the Board sought assistance from the Payroll Office of the Legislature, which is responsible for processing travel for Legislators during interim*

periods. Our procedures for reimbursement were consistent with our understanding of procedures followed by that office. Upon learning of the errors in disbursement of the overnight per diem payment, the Boards immediately revised their procedures to ensure appropriate reimbursements to Board members.

Untimely Invoice Payments

We found the Boards did not pay seven invoices totaling \$2,460.85 within 60 days after receipt. The seven invoices were as follows:

<u>Vendor</u>	<u>Document ID</u>	<u>Date Received</u>	<u>Date Paid</u>	<u>No. Of Days To Pay</u>	<u>Fund/ Object Code</u>	<u>Amount Paid</u>
Bell Atlantic Chris	I003389665	05/29/98	08/17/98	81	3275/024	\$ 448.32
Bell Atlantic Chris	I003705277	10/13/98	03/26/99	165	0550/024	213.17
I	E000249172	11/26/97	02/04/98	71	0270/027	25.36
Lexis Nexis	I003598256	10/16/98	01/19/99	96	0270/054 0550/054	190.00
R Cas Co.	I002915537	10/14/97	01/14/98	93	0550/022	767.50
R CAS CO	I003598316	11/16/98	01/20/99	66	0270/022 0550/022	767.50
West Pub- lishing	I003598270	11/16/98	01/19/99	65	0550/077	<u>49.00</u>
					<b>Total</b>	<b><u>\$2,460.85</u></b>

During our review of transactions after June 30, 1999, through our last day of field work--March 13, 2000, we found the Boards did not pay another five invoices totaling \$345.47 within 60 days of receipt. The five invoices were as follows:

<u>Vendor</u>	<u>Document ID</u>	<u>Date Received</u>	<u>Cover Sheet Date</u>	<u>Fund/ Object Code</u>	<u>Amount Paid</u>
AT&T	I3947708	06/18/99	09/07/99	3275/024	\$ 7.96
Hourly Computer Services Inc	I3936267	12/23/98	08/30/99	3275/061	195.00
Lexis Law Publishing	I3887643	04/22/99	07/27/99	0270/077	24.63
Lexis Law Publishing	I3936510	04/22/99	08/30/99	3275/077	64.63
West Group	I3936426	04/22/99	08/30/99	3275/077	<u>53.25</u>
				<b>Total</b>	<b><u>\$345.47</u></b>

Lastly, we found one instance where the Boards were assessed and paid \$83.26 in interest and penalty charges for not timely paying Worker's Compensation Premium Taxes for the quarter ended September 30, 1997.

Chapter 5A, Article 3, Section 54 of the West Virginia Code, also known as the Prompt Pay Act of 1990, states in part:

" . . . Except as provided in subdivision (2) of this subsection, for purchases of services or commodities made on or after the first day of July, one thousand nine hundred ninety-one, a state check shall be issued in payment thereof within sixty days after a legitimate uncontested invoice is received by the state agency receiving the services or commodities. Any state check issued after such sixty days shall include interest at the current rate, as determined by the state tax commissioner under the provisions of section seventeen-a [\$ 11-10-17a], article ten, chapter eleven of this code, which interest shall be calculated from

the sixty-first day after such invoice was received by the state agency until the date on which the state check is mailed to the vendor. . . . The state agency initially receiving a legitimate uncontested invoice shall process such invoice for payment within ten days from its receipt . . ."

Based on the instances noted above, it is apparent the Boards do not have an effective system of internal controls over ensuring the timeliness of paying vendor invoices. By not paying invoices timely, the Boards may unnecessarily incur interest charges as did happen in one instance noted above.

We recommend the Boards comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code.

**Boards' Response**

*We acknowledge the concern raised regarding untimely payments. We believe that the items outlined in our general comments have addressed this concern. We intend to fully comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code.*

**Expense Allocations**

We found the Boards do not have an effective system of internal controls over monitoring and documenting the allocation of expenses among the various accounts of the respective Boards.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, 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. . . ."

The Boards have not established policies and procedures for allocating expenses and, as a result, we could not determine whether 30 of 56 disbursements totaling \$14,379.63 (excluding Payroll and Employee Benefits transactions) were properly allocated and paid from the correct funds during Fiscal Years 1999 and 1998.

We also found one instance where an Air Quality Board (AQB) Member was paid \$100.00 from the Environmental Quality Board's (EQB) Special Revenue Operating Fund-3275 for attending an AQB meeting. In addition, we found two instances where EQB Board members were paid a total of \$1,814.16 from the AQB's General Revenue Fund-0550. Details of these instances are shown as follows:

<u>Board Member</u>	<u>Document ID</u>	<u>Meeting/Travel Date(s)</u>	<u>Fund Paid From</u>	<u>Proper Fund</u>	<u>Amount</u>
Ann Calvert-AQB Board Member	I003414768	05/19/98	3275	0550	\$ 100.00
Betsy Dulin-EQB Board Member	I003705308	02/22/99	0550	0270/3275	149.80
Edward Snyder - EQB Board Member	I003813814	03/24-26/99 04/29-30/99 05/17-18/99	0550	0270/3275	<u>1,664.36</u>
				<b>Total</b>	<b><u>\$1,914.16</u></b>

Lastly, we found the Boards paid \$379.79 of the \$728.68 April through June 1999 Worker's Compensation Premium Tax from appropriated Fiscal Year 2000 funds; specifically, \$146.81 was paid from Fund 0270 and \$232.98 was paid from Fund 0550.

Without an effective system of internal controls over monitoring the proper allocation of expenses, one Board or Fund may

subsidize another Board or other Fund through payment of their expenses.

We recommend the Boards comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code as amended.

Boards' Response

The provisions of the West Virginia Code which outline the consolidation of administrative functions of the Environmental Quality Board and Air Quality Board are found in Chapter 22B-1-3 (a) of the West Virginia Code. The pertinent portions provide:

The chairs of the boards shall exercise the following powers, authorities and duties: . . .  
. (3) To the extent permitted by and consistent with federal or state law, to consolidate, combine or contribute funds of the boards to maintain the central physical facilities and technical and support personnel; (4) To the extent permitted by and consistent with federal or state law, to consolidate or combine any functions of the boards; (5) To secure funding with the assistance of the chairs from whatever source permissible by law; . . . (7) To expend funds in the name of any of the boards;

The Boards have relied on this language as a basis for the expense allocations identified in the report. We agree, however, with your agency's suggestion that we develop a system of internal controls to monitor the allocation of expenses. We intend to seek assistance from the Financial Accounting Department of the Department of Administration to establish procedures for ensuring proper allocation of expenses between the budgets of the two Boards.

Inadequate/Missing Accounting Records.

Chapter 5A, Article 8, Section 9 of the West Virginia Code , as amended, 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. . . ."

We noted several instances where the Boards' accounting records were inadequate or missing as follows:

- 1) The Boards could not locate the following WVFIMS documents:

<u>Vendor</u>	<u>WVFIMS Document Number</u>	<u>Transaction Date</u>	<u>Fund/Object Code</u>	<u>Amount</u>
E	E000284004	08/16/98	3275/034	\$ 2.83
Elizabeth Chatfield	I003469857	10/12/98	0270/026	705.90
Elizabeth Chatfield	I003469857	10/12/98	3275/026	705.90
Sue Hatley	I003798185	06/09/99	0270/025	551.00
AT&T	I002771282	07/30/97	3275/024	297.39
AT&T	I003206877	04/26/98	0270/024	522.36
Bell Atlantic-Cris	I003235320	05/14/98	0270/024	237.62
I	E000284030	08/11/96	3275/024	61.87
West Publishing	I003598309	01/19/99	0550/054	342.00
West Publishing	I003598309	01/19/99	0270/054	342.00
I	E000284012	08/12/98	0270/021	360.00
E	E000265394	04/06/98	3275/023	708.82
I	E000241584	10/09/97	0270/027	26.89
Fedex	I003174411	04/07/98	0270/053	38.00
Elizabeth Chatfield	I003884450	07/28/99	0270/052	199.00
E	E000265394	04/06/98	3275/034	24.41
<b>Total</b>				<b><u>\$5,125.99</u></b>

Our review of transactions after June 30, 1999, through our last day of field work (March 13, 2000) also revealed the Boards did not have supporting documentation for one other transaction and part of the supporting documentation for two other transactions. These three instances were as follows:

<u>Vendor</u>	<u>WVFIMS Document ID</u>	<u>Cover Sheet Date</u>	<u>Fund/Object Code</u>	<u>Amount</u>
Bell Atlantic-Cris	I3935042	08/27/99	0270/024	\$226.60
Bell Atlantic-Cris	I4112145	01/05/00	0550/024	<u>192.45</u>
			<b>Total</b>	<b><u>\$419.05</u></b>

Based on the Boards' inability to find the above documentation to support the payments, we believe the Boards do not have an effective system of filing accounting documents. As a result, we could not audit the above transactions totaling \$5,125.99 and \$419.05, respectively.

2) In addition, the Boards could not find contracts/agreements for the following services/commodities: calling cards, local telephone service, telephone equipment maintenance and voice-mail services, and a rental agreement for the Board's water cooler.

Without having contracts/agreements readily accessible for commodities/services the Boards periodically receive, vendors could bill and the Boards could inadvertently pay for commodities/services at prices or rates higher than what the Boards agreed upon with the vendor.

3) Upon reviewing the Boards' Fiscal Year 1999 and 1998 financial transactions, we identified several expense-to-expense transfers that we believed required further review. We requested the WVFIMS documents for these transactions and the documentation supporting the original transactions. The Boards' could not locate one of these transactions totaling \$4,301.52. We obtained this information from the State Auditor's Office and noted the documentation did not indicate the reason for the transfer other than the comment "Paid from wrong fund" on the WVFIMS cover sheet. The details of the transaction were as follows:

<u>WVFIMS</u> <u>Document Number</u>	<u>Date</u>	<u>Fiscal</u> <u>Year</u>	<u>Object</u> <u>Code</u>	<u>Amount of Expense</u>	
				<u>Transferred To/</u> <u>Fund 0270</u>	<u>(From)</u> <u>Fund 3275</u>
E000324269	06/17/99	1999	031	\$ 195.00	(\$ 195.00)
E000324269	06/17/99	1999	030	42.87	(42.87)
E000324269	06/17/99	1999	002	1,300.00	(1,300.00)
E000324269	06/17/99	1999	026	2,486.88	(2,486.88)
E000324269	06/17/99	1999	024	<u>276.77</u>	<u>(276.77)</u>
<b>Totals</b>				<b><u>94,301.52</u></b>	<b><u>(\$3,911.52)</u></b>

Upon our request, the Boards' Office Supervisor reviewed the above transaction but could not provide an explanation as to why the Boards transferred the monies. We then contacted the Division of Environmental Protection (DEP), which on occasion processes some of the Boards' accounting transactions, to determine if they could provide an explanation for the fund transfers. DEP's accounting department explained that near the end of Fiscal Year 1999, the Environmental Quality Boards' Special Revenue Fund-3275 had insufficient moneys to allow the payroll reimbursement then due to clear; therefore, the Boards found Fiscal Year 1999 charges that

could be transferred to Fiscal Year 1999 Fund 0270 to free up funds for the Special Revenue Fund-3275 and enable the fund to absorb its share of payroll expenses. Without an adequate system of monitoring expenditures/disbursements, the Boards may, as it appears in this example, be forced to transfer expenses to meet budgeted payroll expense allocations.

4) The Boards could not find the WVFIMS documents and the related Public Employees Insurance Agency (PEIA) billings for the months of July 1997 - October 1998. We could not determine the reason the documents could not be found. Consequently, we could not ascertain whether the amounts paid to the PEIA were correct.

We recommend the Boards comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

#### Boards' Response

*We acknowledge the concerns identified in this section. We believe that the changes outlined in our general comments have addressed these concerns. We intend to ensure continued compliance with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.*

#### Calculations of Annual Increment/Payroll Adjustments/Terminal Leave Settlements

We found two of the Boards' former employees were not properly compensated. One employee was overpaid a total of \$100.00 for annual increment payments received in July 1998 and July 1997 and the same employee was underpaid \$110.57 during the regular pay periods ending December 31, 1998 thru February 28, 1999. As a result, this employee was underpaid a net amount of \$10.57. The

second employee was overcompensated a net amount of \$209.03 during the period from July 31, 1997 through September 15, 1999.

Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended:

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

Also, Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended, states in part:

"Effective for the fiscal year beginning the first day of July, one thousand nine hundred ninety-six, every eligible employee with three or more years of service shall receive an annual salary increase equal to fifty dollars times the employees' years of service, not to exceed twenty years of service. In each fiscal year thereafter and on the first day of July, each eligible employee shall receive an annual increment increase of fifty dollars for that fiscal year. . . ."

The Division of Environmental Protection's Payroll Supervisor said that he based the annual increment calculations on each employee's previous year annual increment unless the Boards informed him that the increment payments were not correct. Also, the other miscalculations in the employees' pay were attributable to incorrect sick and annual leave balances resulting from the Boards not accruing the employees' leave properly and leave usage not being posted accurately to the employees' leave records. These incorrect payroll calculations resulted in one employee being underpaid a net amount of \$10.57 and the other employee being overpaid the net amount of \$209.03 which means this second employee was paid for services not rendered in violation of Chapter 12, Article 3, Section 13 of the West Virginia Code.

We recommend the Boards comply with Chapter 12, Article 3, Section 13, as amended, and Chapter 5, Article 5, Section 2, as amended, of the West Virginia Code.

Boards' Response

The Boards acknowledge the concerns outlined in this section. Since the discovery of these inconsistencies, the Boards have instituted internal oversight procedures for monitoring record-keeping for sick and annual leave. We have also improved communications with staff of the Division of Environmental Protection, the agency which prepares our payroll and increment payments, to ensure that these types of miscalculations do not occur in the future. We believe that those changes, as well as the changes outlined in our general comments, will ensure our compliance with Chapter 5, Article 5, Section 2, as amended, of the West Virginia Code.

Again, the Boards appreciate the efforts of your agency in preparing this post audit report. We intend to make every effort to incorporate the findings and recommendations into the daily administration of the Boards' financial activities. Many of the concerns raised have already been addressed, as noted in our responses. We intend to continue to work with the assistance of the Commissioner of the Bureau of Environment and staff of the Division of Environmental Protection, the Department of Administration, and other agencies, as necessary, to ensure that all of the concerns outlined in the report are addressed appropriately. We would welcome a follow-up review by your agency at your convenience.

Incorrect Sick & Annual Leave Balances.

We noted differences in two of the Boards' employees sick and annual leave balances as of June 30, 1999, as follows:

<u>Employee</u>	<u>Type of Leave</u>	<u>June 30, 1999 Audited Ending Balance (Hours)</u>	<u>June 30, 1999 Recorded Boards Balance (Hours)</u>	<u>Difference (Over)/ Under (Hours)</u>
#1	Annual	92.25	91.75	0.5
#1	Sick	447	444.75	2.25
#2	Annual	83.19	115.69	-32.5
#2	Sick	588.23	595.73	-7.5

We also noted differences in two of the Boards' former employees sick and annual leave balances as reflected in the following schedule:

<u>Employee</u>	<u>Type of Leave</u>	<u>Audited Balance (Hours)*</u>	<u>Recorded Boards Balance (Hours)*</u>	<u>Difference (Over)/ Under (Hours)</u>
#3	Annual	8.56	0.30	8.26
#3	Sick	7.00	0.00	7.00
#4	Annual	0.00	24.79	(24.79)
#4	Sick	0.00	12.04	(12.04)

\* Employee number three's ending leave balances are as of January 28, 1999. Employee number four's ending leave balances are as of August 17, 1999, which was the employee's last working day.

The Boards' Employee Handbook indicates employees accrue annual leave as follows:

**"Annual Leave Accrual and Carry Forward Rates**

<u>LENGTH OF SERVICE</u>	<u>ACCRUAL RATE</u>	<u>MAXIMUM ANNUAL CARRY-FORWARD HOURS</u>
	Hours Equal To:	Hours Equal To:
0-5 years	1.25 days/month	30 days
5-10 years	1.50 days/month	30 days
10-15 years	1.75 days/month	35 days
Over 15 years	2.00 days/month	40 days"

The Boards' Office Supervisor said that before January 1999, she approved sick and annual leave requests without checking the employees' leave balances. Also, employee number four accrued annual leave at 14 hours per month (1.75 days) for the period July 1997 through September 1997 and 12 hours per month (1.5 days) for the period October 1997 through August 1999. Based on the employee's years of service, the employee should have been accruing annual leave at ten hours per month (1.25 days) for the period July 1997 through January 1998 and 12 hours per month thereafter. Incorrect leave balances may result in employees taking leave they have not accrued resulting in the payment of salary before services are rendered which would violate the provisions of Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended.

We recommend the Boards follow their annual leave policy for determining their employees' annual leave accrual rates.

**Boards' Response**

***No response by the Boards.***

## INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of appropriations/cash receipts, expenditures/disbursements and changes in fund balances for the West Virginia Environmental Quality Board for the years ended June 30, 1999 and June 30, 1998 and the statement of appropriations, expenditures and changes in fund balance of the West Virginia Air Quality Board for the years ended June 30, 1999 and June 30, 1998. The financial statements are the responsibility of the management of the West Virginia Environmental Quality Board and the West Virginia Air Quality Board. Our responsibility is to express an opinion on the financial statements based on our audit.

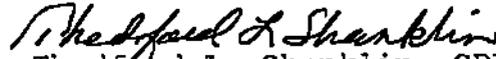
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statements were prepared on the cash and modified cash bases of accounting, which are comprehensive bases of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the appropriations and expenditures and cash receipts and disbursements of the West Virginia Environmental Quality Board and the appropriations and expenditures of the West Virginia Air Quality Board for the years ended June 30, 1999 and June 30, 1998, on the bases of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

  
Thedford L. Shanklin, CPA, Director  
Legislative Post Audit Division

March 13, 2000

Auditors: Michael E. Sizemore, CPA, Supervisor  
Noah E. Cochran, CPA, Auditor-in-Charge  
Charles B. Thompson

WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD  
 STATEMENT OF APPROPRIATIONS/CASH RECEIPTS, EXPENDITURES/  
 DISBURSEMENTS AND CHANGES IN FUND BALANCES

	<u>Year Ended June 30, 1999</u>		
	<u>General</u> <u>Revenue</u>	<u>Special</u> <u>Revenue</u>	<u>Combined</u> <u>Totals</u>
Appropriations/Cash Receipts:			
Appropriations	\$117,264.00	\$ 0.00	\$117,264.00
Operating Funds Transfer	0.00	136.75	136.75
Miscellaneous	<u>0.00</u>	<u>50,000.00</u>	<u>50,000.00</u>
	117,264.00	50,136.75	167,400.75
Expenditure/Disbursements:			
Personal Services	68,311.55	32,762.63	101,074.18
Annual Increment	411.00	0.00	411.00
Employee Benefits	14,709.60	6,846.89	21,556.49
Current Expenses	30,196.56	8,075.59	38,272.15
Repairs & Alterations	0.00	77.00	77.00
Equipment	<u>386.54</u>	<u>268.74</u>	<u>655.28</u>
	114,015.25	48,030.85	162,046.10
Appropriations/Cash Receipts Over/ (Under) Expenditures/ Disbursements			
	3,248.75	2,105.90	5,354.65
Expirations and Expenditures After June 30			
	(3,248.75)	0.00	(3,248.75)
Beginning Balance			
	<u>0.00</u>	<u>1,589.70</u>	<u>1,589.70</u>
Ending Balance			
	<u>\$ 0.00</u>	<u>\$ 3,695.60</u>	<u>\$ 3,695.60</u>

See Notes to Financial Statement

Year Ended June 30, 1998

<u>General Revenue</u>	<u>Special Revenue</u>	<u>Combined Totals</u>
\$114,379.00	\$ 0.00	\$114,379.00
0.00	90.25	90.25
<u>0.00</u>	<u>62,500.00</u>	<u>62,500.00</u>
114,379.00	62,590.25	176,969.25
66,029.98	36,928.85	102,958.83
207.00	0.00	207.00
15,999.87	7,638.70	23,638.57
26,294.11	27,602.31	53,896.42
0.00	0.00	0.00
<u>954.75</u>	<u>2,814.35</u>	<u>3,769.10</u>
<u>109,485.71</u>	<u>74,984.21</u>	<u>184,469.92</u>
4,893.29	(12,393.96)	(7,500.67)
(4,893.29)	0.00	(4,893.29)
<u>0.00</u>	<u>13,983.66</u>	<u>13,983.66</u>
<u>\$ 0.00</u>	<u>\$ 1,589.70</u>	<u>\$ 1,589.70</u>

WEST VIRGINIA AIR QUALITY BOARD  
 STATEMENT OF APPROPRIATIONS, EXPENDITURES  
 AND CHANGES IN FUND BALANCE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
Appropriations	\$77,858.00	\$75,786.00
Expenditures:		
Personal Services	41,076.29	48,308.92
Employee Benefits	14,058.94	13,856.62
Current Expenses	19,766.64	11,649.54
Equipment	<u>875.39</u>	<u>542.39</u>
	<u>75,777.26</u>	<u>74,357.47</u>
Appropriations Over Expenditures	2,080.74	1,428.53
Expirations and Expenditures After June 30	(2,080.74)	(1,428.53)
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

See Notes to Financial Statement

WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD

NOTES TO FINANCIAL STATEMENTS

**Note A - Accounting Policies**

Accounting Method: The modified cash basis of accounting is followed for the General Revenue Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year. All balances of the General Revenue Fund's appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 31 days after the year end. The cash basis of accounting is followed by the West Virginia Environmental Quality Board's Special Revenue Fund. Therefore, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Expenditures paid after June 30 in the carry-over period and expirations were as follows:

	<u>Expenditures</u>		<u>Expirations</u>	
	<u>Paid After June 30,</u>		<u>July 31,</u>	<u>July 31,</u>
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Personal Services	\$ 0.00	\$ 0.00	\$ 97.45	\$1,694.02
Annual Increment	0.00	0.00	32.00	0.00
Employee Benefits	816.40	874.03	0.00	2,188.10
Unclassified	<u>2,300.33</u>	<u>137.14</u>	<u>2.57</u>	<u>0.00</u>
	<u>\$3,116.73</u>	<u>\$1,011.17</u>	<u>\$132.02</u>	<u>\$3,882.12</u>

Combined Totals: The combined totals contain the totals of similar accounts of the various funds. Since the appropriations and cash receipts of certain funds are restricted by various laws, rules and regulations, the totaling of the accounts is for memorandum purposes only and does not indicate the combined totals are available in any manner other than that provided by such laws, rules and regulations.

**Note B - Pension Plan**

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4.5% of their compensation and employees are vested under certain circumstances. The West Virginia Environmental Quality Board matches its employees contributions at 9.5% of the compensation on which the employees made contributions. The West Virginia Environmental Quality Board's pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
General Revenue	\$4,908.18	\$5,808.28
EQB Special Revenue	<u>3,594.12</u>	<u>3,801.57</u>
	<u>\$8,502.30</u>	<u>\$9,609.85</u>

WEST VIRGINIA AIR QUALITY BOARD

NOTES TO FINANCIAL STATEMENTS

**Note A - Accounting Policies**

Accounting Method: The modified cash basis of accounting is followed for the General Revenue Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year. All balances of the General Revenue Fund's appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 31 days after the year end.

Expenditures paid after June 30 in the carry-over period and expirations were as follows:

	Expenditures Paid After June 30,		Expirations July 31, July 31,	
	1999	1998	1999	1998
Unclassified	<u>\$2,080.74</u>	<u>\$1,265.25</u>	<u>\$0.00</u>	<u>\$163.28</u>

**Note B - Pension Plan**

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4.5% of their compensation and employees are vested under certain circumstances. The West Virginia Environmental Quality Board matches its employees contributions at 9.5% of the compensation on which the employees made contributions. The West Virginia Air Quality Board's pension expenditures were as follows:

	Year Ended June 30,	
	1999	1998
General Revenue	<u>\$4,116.07</u>	<u>\$4,455.19</u>

**SUPPLEMENTAL INFORMATION**

WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD  
 STATEMENTS OF APPROPRIATIONS AND EXPENDITURES  
 GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Personal Services - Fund 0270-001</u>		
Appropriations	\$63,609.00	\$62,324.00
Expenditures:		
Personal Services	<u>63,511.55</u>	<u>60,629.98</u>
	97.45	1,694.02
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 97.45</u>	<u>\$ 1,694.02</u>
<u>Annual Increment - Fund 0270-004</u>		
Appropriations	\$ 443.00	\$ 207.00
Expenditures:		
Annual Increment	<u>411.00</u>	<u>207.00</u>
	32.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 32.00</u>	<u>\$ 0.00</u>
<u>Employee Benefits - Fund 0270-010</u>		
Appropriations	\$15,526.00	\$19,062.00
Expenditures:		
Employee Benefits	<u>15,526.00</u>	<u>16,873.90</u>
	0.00	2,188.10
Transmittals Paid After June 30	<u>816.40</u>	<u>874.03</u>
Balance	<u>\$ 816.40</u>	<u>\$ 3,062.13</u>

WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD  
STATEMENT OF APPROPRIATIONS AND EXPENDITURES  
GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
 <u>Unclassified - Fund 0270-099</u>		
Appropriations	\$37,686.00	\$32,786.00
Expenditures:		
Personal Services	5,200.00	5,400.00
Current Expenses	31,934.76	26,431.25
Repairs & Alterations	137.50	0.00
Equipment	411.17	954.75
	<u>37,683.43</u>	<u>32,786.00</u>
	2.57	0.00
 Transmittals Paid After June 30	<u>2,300.33</u>	<u>137.14</u>
 Balance	<u>\$ 2,302.90</u>	<u>\$ 137.14</u>

WEST VIRGINIA ENVIRONMENTAL QUALITY BOARD  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCE  
SPECIAL REVENUE

	Year Ended June 30,	
	1999	1998
<u>Special Revenue Operating Fund -</u>		
<u>Fund 3275 - 099/640</u>		
Cash Receipts:		
Operating Funds Transfer	\$50,000.00	\$62,500.00
Miscellaneous	<u>136.75</u>	<u>90.25</u>
	50,136.75	62,590.25
Disbursements:		
Personal Services	32,762.63	36,928.85
Employee Benefits	6,846.89	7,638.70
Current Expenses	8,075.59	27,602.31
Repairs & Alterations	77.00	0.00
Equipment	<u>268.74</u>	<u>2,814.35</u>
	<u>48,030.85</u>	<u>74,984.21</u>
Cash Receipts Over/(Under) Disbursements	2,105.90	(12,393.96)
Beginning Balance	<u>1,589.70</u>	<u>13,983.66</u>
Ending Balance	<u>\$ 3,695.60</u>	<u>\$ 1,589.70</u>

WEST VIRGINIA AIR QUALITY BOARD  
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES  
 GENERAL REVENUE

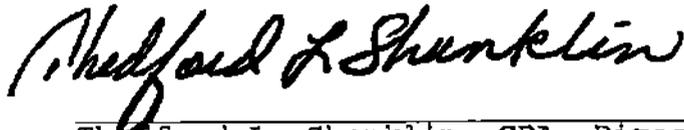
	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Unclassified - Fund 0550-096</u>		
Appropriations	\$77,858.00	\$75,786.00
Expenditures:		
Personal Services	41,576.29	48,308.92
Employee Benefits	15,451.67	14,202.36
Current Expenses	19,954.65	12,569.05
Equipment	875.39	542.39
	<u>77,858.00</u>	<u>75,622.72</u>
	0.00	163.28
Transmittals Paid After June 30	<u>2,080.74</u>	<u>1,265.25</u>
Balance	<u>\$ 2,080.74</u>	<u>\$ 1,428.53</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report of audit 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 12<sup>th</sup> day of June,  
2000.



Thedford L. Shanklin, CPA, Director  
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the Commissioner of the Bureau of Environment; Each member of the Boards; Attorney General; Governor; and State Auditor.