

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

***WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY***

FOR THE PERIOD

JULY 1, 1997 - JUNE 30, 1999



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
FOR THE PERIOD
JULY 1, 1997 - 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 31, Article 20, as amended, we have examined the accounts of the West Virginia Regional Jail and Correctional Facility Authority.

Our examination covers the period July 1, 1997 through June 30, 1999. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Theford L. Shanklin".

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

TLS/ela

**WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY**

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WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
EXIT CONFERENCE

We held an exit conference on April 27, 2000 with the Executive Director and other representatives of the West Virginia Regional Jail and Correctional Facility Authority and all findings and recommendations were reviewed and discussed. The agency's responses are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our findings in the General Remarks section of this report.

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY

INTRODUCTION

West Virginia Regional Jail and
Correctional Facility Authority

The West Virginia Regional Jail and Correctional Facility Authority was established under Chapter 150, Acts of the Legislature in 1985, and was amended by House Bill 4702 in 1998, to plan, finance, construct and operate a statewide system of regional jails. The West Virginia Regional Jail and Correctional Facility is also responsible for the financing and the construction of correctional facilities for the Division of Corrections and juvenile facilities for the Division of Juvenile Services.

The West Virginia Regional Jail and Correctional Facility Authority consists of seven voting and two nonvoting members. The voting members are the Secretary of Military Affairs and Public Safety, the Secretary of Administration, three county officials appointed by the Governor, and two citizens appointed by the Governor to represent the areas of law and medicine. The two nonvoting members are the Commissioner of Corrections and the Director of Juvenile Services.

The West Virginia Regional Jail and Correctional Facility Authority opened its first regional jail, Eastern Regional Jail, on May 1, 1989 in Martinsburg, West Virginia; other regional jails operating include the following: Central Regional Jail, Flatwoods, West Virginia; South Central Regional Jail, South Charleston, West

Virginia; Southern Regional Jail, Beaver, West Virginia; Northern Regional Jail and Correctional Facility, Moundsville, West Virginia; Southwestern Regional Jail, Holden, West Virginia; and, Potomac Highlands Regional Jail, Augusta, West Virginia. Facilities which are currently under construction by the West Virginia Regional Jail and Correctional Facility include the following: North Central Regional Jail, West Union, West Virginia; and Western Regional Jail, Barboursville, West Virginia. Each of the two previous jails under construction have completion dates scheduled for 2001 and 2003, respectively. Finally, the Authority is still searching for a location to construct the Tygart Valley Regional Jail.

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY

BOARD MEMBERS

Statutory Members

Phyllis Carter Director of Juvenile Services
Otis G. Cox Jr. Secretary, Department of Military Affairs
and Public Safety
William K. Davis Commissioner, Division of Corrections
Joseph F. Markus Secretary, Department of Administration

Gubernatorial Appointees

Daniel N. Huck Chairman
Commissioner Vernon F. Barley Vice Chairman
Sheriff Michael K. Griffin Board Member
Commissioner James C. Smith Board Member
Dr. John Walden Board Member

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
ADMINISTRATIVE OFFICERS AND STAFF
AS OF JUNE 30, 1999

Stephen D. Canterbury Executive Director
Bobby G. Workman Deputy Director
(5/16/98 - 6/15/99)
Frank G. Shumaker Deputy Director
(7/1/97 - 7/31/97)
W. Jean Park Administrative Assistant
John L. King II Chief of Operations
William Chilton Lilly, Jr. Construction Manager
Todd J. Chafin Personnel Director
Tony W. Davis Administrative Services Manager II
Betty S. Light Programs Specialist

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

Lack of Effective System of Internal Controls

1. During the course of our examination, it became apparent to us, based on the observed noncompliance with the West Virginia Code, the Authority did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations. We believe an effective system of internal controls would have alerted management to these violations at an earlier date and allowed more timely corrective action.

Auditor's Recommendation

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

Agency's Response

If our procedures do not provide adequate control, then we need to revise them so that they ensure we are in compliance with the code. (See page 15-18)

Receipts Deposited Into Unauthorized Funds

2. Even though the West Virginia Code states all revenues received by the Authority will be deposited into one fund, which may consist of several separate accounts, we noted the Authority is depositing revenues into several different funds. Since one of the revenue funds is an appropriated fund, it is possible it was legislative intent for all

revenues to be included in an appropriated fund. In any event, miscellaneous receipts such as commissions earned from inmate telephones and vending machines and incentive payments from social security must first be pledged to satisfy the payment of debt service and this is not currently being done.

Auditor's Recommendation

We recommend the Authority comply with Chapter 31, Article 20, Section 22 of the West Virginia Code, as amended.

Agency's Response

We do not agree with this finding. (See pages 18-28)

Inappropriate Expenditures and Revenue Transfers

3. The Authority has spent monies designated by the West Virginia Code for construction or renovation to pay the salary and travel related expenses of an employee and to purchase computers used in the central office. Then, in an attempt to replace the funds spent out of the construction fund, they have transferred revenues from a fund appropriated by the legislature to the non-appropriated fund containing the construction monies.

Auditor's Recommendation

We recommend the Authority comply with Chapter 31, Article 20, Section 10 of the West Virginia Code, as amended.

Agency's Response

We do not agree with this finding. (See pages 29-31)

Accounts Receivable - Per Diem Fees

4. We noted the Authority had accounts receivable which included several delinquent accounts. Also, we noted several instances of payments from state agencies and local governments not being received in a timely manner.

Auditor's Recommendation

We recommend the Authority aggressively pursue all available avenues to ensure the debtors pay their per diem fees in a timely manner in compliance with Legislative Rule Title 94, Series 3.

Auditor's Response

We agree to the findings of fact in this section. However, we want to make it clear that we have aggressively, though reasonably, pursued collections and we will continue to do so. (See pages 31-34)

Payment for Personal Services Not Rendered

5. We noted four employees were paid a total of \$950.54 for services not rendered. Also, the Authority paid overtime to an employee who is exempt under the West Virginia Regional Jail and Correctional Facility Authority Policy and Procedure Statement 3021.

Auditor's Recommendation

We recommend the Authority comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, and Authority Policy and Procedure Statements 3015 and 3021. We further recommend they strengthen internal controls to

ensure leave is granted only to those employees who have leave balances sufficient to cover the leave requested.

Agency's Response

We are taking measures to correct these problems and prevent their future occurrence. (See pages 35-37)

Staff Not Adhering to Authority's Internal Control Procedures

6. We noted a total of 29 out of 104 transactions tested were not approved by the Construction Manager, as required by Authority procedures. Also, we noted four instances of the Authority carrying incorrect balances in their accounts receivable ledger.

Auditor's Recommendation

We recommend the Authority comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, which requires the agency head to have in place an effective system of internal controls in the form of policies and procedures set up to ensure the agency operates in compliance with the laws, rules and regulations which govern it.

Agency's Response

It was never intended that the construction manager not approve all payments, the Executive Director simply wanted to review and sign off on all payments. We will make every effort to ensure the accounts receivable ledger is kept in balance. (See pages 38-41)

Credit Card Purchases

7. We noted most of the invoices related to purchasing card transactions selected for testing during the period July 1, 1997 - June 30, 1999 did not indicate a zero balance due nor were they stamped "Paid". Also, we found three instances of no receipt or invoice being present for purchases totaling \$761.97. In addition, we noted cover sheets for payment were not made and received by the State Auditor by the applicable due date for 12 of 20 transactions tested.

Auditor's Recommendation

We recommend the Authority comply with the State of West Virginia Purchasing Card Policies and Procedures.

Agency's Response

The Authority will continue to do everything in it's power to comply with the Purchasing Card Policies and Procedures of the State of West Virginia. The installation of a new computer system should alleviate the timeliness problem in the near future. (See pages 41-44)

Payment of Penalties and Interest on Worker's Compensation Premiums

8. On two occasions, the Authority paid late fees and interest to Worker's Compensation totaling \$3,824.22 and \$1,978.32, respectively.

Auditor's Recommendation

We recommend the Authority pay Worker's Compensation premiums in accordance with Chapter 23, Article 2, Section

5 of the West Virginia Code, as amended, in order to avoid paying any further late fees and interest.

Agency's Response

The Post Audit report pinpointed both the problems and the reasons for these two late payments. The first lateness was the result of a careless mistake: a misplaced invoice. The second instance of tardiness was the result of the conversion to the new payroll system. We shall continue to take every precaution not to allow it to happen again.

(See pages 45-47)

Equipment Inventory

9. We were unable to locate four out of the 40 equipment items selected for testing. Also, 11 of those equipment items were not found on the Authority's Inventory list. Additionally, we were unable to locate inventory tags on two items.

Auditor's Recommendation

We recommend that the Authority comply with sections 3.2 and 3.6 of the Inventory Management and Surplus Property Disposition Policies and Guidelines.

Agency's Response

Clearly, we must take stronger precautions about items being purchased and not logged in and make sure that we are in complete compliance with Sections 3.2 and 3.6 of the Inventory Management and Surplus Property Disposition.

(See pages 47-49)

Incorrect Travel Reimbursement

10. One employee was erroneously reimbursed \$70.00 for the cost of replacing a lost airline ticket and he was also reimbursed at the incorrect rate for meals. As a result, the Authority overpaid that employee a total of \$94.00.

Auditor's Recommendation

We recommend the Authority comply with the State of West Virginia Travel Regulations. We further recommend the Authority seek reimbursement of the \$94.00 overpayment to the employee.

Agency's Response

The Authority has informed the employee that he owes the Authority \$94.00. He has already drawn up the check and it should be deposited by the end of the day, April 28. (See pages 49-51)

Contract Monitoring

11. We noted one instance of the Authority not properly monitoring contract compliance. Mountain Vending is not providing a statement detailing the total sales as required by the contract.

Auditor's Recommendation

We recommend the Authority monitor their contracts to ensure compliance with the terms of their contracts.

Agency's Response

The Authority shall continue to monitor every contract in a precise and full manner. Furthermore, we shall especially step up our monitoring of the vending contract.

(See pages 51 and 52)

Contract With Juvenile Services

12. The Authority entered into an agreement with the Division of Juvenile Services to hire an individual for the period August 24, 1998 - September 30, 1998. The agreement also stated the Division of Juvenile Services would reimburse the Authority for the employee's salary. The employee was paid a total of \$4,681.81 by the Authority, which has not been reimbursed by the Division of Juvenile Services.

Auditor's Recommendation

We recommend the Authority file a claim with the Court of Claims as provided in Chapter 14, Article 2, Section 2 of the West Virginia Code, as amended, to recover the monies due them.

Agency's Response

In reference to the dates the individual was paid, his pay was two weeks in arrears. On the issue of reimbursement, we shall happily pursue collection efforts even in the Court of Claims, if necessary. (See pages 52-54)

**WEST VIRGINIA REGIONAL JAIL
AND CORRECTIONAL FACILITY AUTHORITY
GENERAL REMARKS**

INTRODUCTION

We have completed a post audit of the West Virginia Regional Jail and Correctional Facility Authority (the Authority). The audit covered the period July 1, 1997 through June 30, 1999.

GENERAL REVENUE ACCOUNT

The Authority maintained the following general revenue account in fiscal year 1998 for payment of expenditures related to acquisition, construction, and renovation of regional jail and correctional facilities.

<u>FUND NUMBER</u>	<u>DESCRIPTION</u>
0536	Regional Jail Debt Service Fund

SPECIAL REVENUE ACCOUNTS

All revenues received by the Authority and expenditures required for the general operation of the Authority are accounted for through the following special revenue funds:

<u>FUND NUMBER</u>	<u>DESCRIPTION</u>
6675	West Virginia Regional Jail and Correctional Facility Authority Fund Court Fees and Filing Fees; to develop a regional jail system in West Virginia.
6676	West Virginia Regional Jail and Correctional Facility Development Fund Issuance of bonds and PERS Loan; for construction and renovation of regional jails and correctional facilities.

- 6678 Regional Jails Operation Cash Control Fund
Per Diem fees; for the operation of regional jails.
- 6687 Kenhill Construction Co., Inc. - Court of Claims
For payment of claim.
- 6691 Regional Jail Maintenance Fund
Portion of per diem fees; for long-term maintenance of regional jails.

COMPLIANCE MATTERS

Chapter 31, Article 20 of the West Virginia Code generally governs the West Virginia Regional Jail and Correctional Facility Authority. We tested applicable sections of the above plus other applicable chapters, articles and sections of the West Virginia Code as they pertain to financial matters. Our findings are discussed below.

Lack of Effective System of Internal Controls

During the course of our examination, it became apparent to us, based on the observed noncompliance with the West Virginia Code, the Authority did not have an effective system of internal controls in place to ensure compliance with applicable State laws. Chapter 5A, Article 8, Section 9 of the West Virginia Code, 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"

This law requires the agency head to have in place an effective system of internal controls in the form of policies and procedures set up to ensure the agency operates in compliance with the laws, rules and regulations which govern it.

During our audit of the Authority, we found the following noncompliance with State laws or other rules and regulations: (1) Even though the West Virginia Code states all revenues received by the Authority will be deposited into one fund, which may consist of several different accounts, we noted the Authority is depositing revenues into several different funds. Additionally, receipts which are designated to be first pledged to satisfy debt service are not being deposited into the proper account. (2) During the period August 1, 1999 - December 31, 1999, the Authority inappropriately paid one employee's salary and travel expenses and made various computer purchases from monies designated for construction expenditures. (3) The Authority's Accounts Receivables contain several past due balances. Several payments from State agencies and local governments were not received in a timely manner. (4) The Authority paid a total of \$950.54 to four employees for personal services not rendered. We also noted the Authority paid overtime to an employee who is exempt under the West Virginia Regional Jail and Correctional Facility Authority Policy and Procedures Statement 3021. (5) We noted a total of 29 out of 104 construction transactions tested were not approved by the Construction Manager. Also, we noted four instances of the Authority carrying incorrect balances in their Accounts Receivable

Ledger. (6) The invoices attached to the purchasing log sheets, neither indicated a zero balance due nor were they stamped "Paid". Also, we found three instances of no receipt or invoice being present for purchases totaling \$761.97. In addition, we noted cover sheets for payment were not made and received by the State Auditor by the applicable due date for 12 of the 20 transactions tested. (7) On two occasions, the Authority paid a cumulative total of \$3,842.22 in late fees and \$1,978.32 in interest to the Worker's Compensation Division. (8) We were unable to locate four of the 40 equipment items selected for testing. Also, 11 of those equipment items which should have been on the inventory list were not. (9) One employee was erroneously reimbursed for a \$70.00 expense and he was reimbursed at an incorrect rate for meals. As a result, the Authority overpaid that employee a total of \$94.00. (10) We noted one instance that indicated the Authority is not properly monitoring contracts. Mountain Vending is not providing a statement detailing the total sales as required by the contract. (11) The Authority entered into an agreement with the Division of Juvenile Services to hire an individual for the period August 24, 1998 - September 30, 1998. The agreement also stated the Division of Juvenile Services would reimburse the Authority for the employee's salary, but no reimbursement has been made to the Authority for the \$4,681.81 they expended.

We recommend the Authority comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and establish a system of internal controls.

Agency's Response

The Authority will continue to make every effort to be in full compliance with all applicable State laws. Specifically, since a number of processing and other errors were uncovered during this post audit procedure, we clearly need to examine our policies and procedures to make sure that they provide adequate control. If they do provide adequate control, then we need to step up our activities to ensure that they are followed to the letter. If they do not provide adequate control, then we need to revise them so that they are ensuring that we are in full compliance with Chapter 5A, Article 8, Section 9 of the Code.

Receipts Deposited Into Unauthorized Funds

Even though the West Virginia Code states all revenues received by the Authority will be deposited into one fund, which may be made up of several separate accounts, we noted the Authority is depositing revenues into several different funds. Court fees and filing fees from magistrate courts, municipal courts and circuit courts are being deposited into fund 6675 (West Virginia Regional Jail and Correctional Facility). Monies from the Public Employees Retirement System (PERS) loan and interest earned on the 1990 bond issue and refunded to the authority were deposited into fund 6676 (West Virginia Regional Jail and Correctional Facility Development Fund). Per Diem fees and miscellaneous receipts are being deposited into fund 6678 (Cash Control Account). A portion of the per diem fees collected are transferred into fund 6691 (Regional Jail Maintenance Fund).

Chapter 31, Article 20, Section 10 of the West Virginia Code, as amended, states in part,

"(a) The regional jail and correctional facility development fund is hereby created and shall be composed of special accounts in the state treasury. The fund shall operate as a revolving fund whereby all appropriations and payments to the fund may be applied and reapplied by the authority for the purposes of this article. Separate accounts may be established within the fund for the purpose of identification of various revenue resources and payment of specific obligations. These separate accounts may be used for purposes that include, but are not limited to, the construction, renovation or repair of specific facilities, cash control, facility maintenance and for the individual operating accounts of the facilities operated by the authority. The authority may create other separate accounts within the fund that it determines are necessary for the efficient operation of the authority. . . .

(e) The fund shall consist of the following:

- (1) Amounts raised by the authority by the sale of bonds or other borrowing authorized by this article;
- (2) Moneys collected and deposited in the state treasury which are specifically designated by acts of the Legislature for inclusion into the fund;
- (3) Contributions, grants and gifts from any source, both public and private, which may be used by the authority for any project or projects;
- (4) All sums paid by the counties pursuant to subsection (h) of this section; and
- (5) All interest earned on investments made by the state from moneys deposited in this fund. . . ."

Fund 6675 is an appropriated special revenue fund and all of the remaining aforementioned funds are non-appropriated. Of the total revenues collected by the authority in fiscal years 1998 and

1999, \$20,898,428.69 was deposited into the appropriated fund (6675) while \$303,515,361.93 was deposited into fund (6676) and \$32,130,118.72 was deposited into fund (6678), which are both non-appropriated funds. Since all revenues are required by law to be deposited into one fund, which may consist of several separate accounts, and one fund is an appropriated fund, it is possible it was legislative intent for all revenues to be included in an appropriated fund. If so, the creation of the other funds has had the effect of placing monies subject to the Legislative appropriation process into non-appropriated funds. In any event, the code requires all revenues collected by the Authority, with the exception of amounts raised by the sale of bonds or other borrowing and per diem fees collected for the incarceration of inmates at regional jails, be pledged first to payment of debt service. Such revenues would include the phone commissions, vending machine commissions, and social security incentive payments which totaled \$646,561.52, \$6,180.14 and \$56,800.00 respectively in fiscal years 1998 and 1999. These miscellaneous revenues were all deposited into the non-appropriated fund 6678 (Cash Control Account) instead of the appropriated fund 6675 (West Virginia Regional Jail and Correctional Facility Fund).

Chapter 31, Article 20, Section 10 of the West Virginia Code, as amended, states in part,

" . . . (f) The amounts deposited in the fund shall be accounted for and expended in the following manner:

. . . (2) Amounts deposited from all other sources shall be pledged first to the debt service on any bonded indebtedness, including lease-purchase obligation entered into by the authority with another state entity or other obligation incurred by borrowing of the authority;

(3) After any requirements of debt service have been satisfied, the authority shall requisition from the fund such amounts as are necessary to provide for payment of the administrative expenses of this article;..."

Depositing these receipts into the Cash Control Fund 6678 does not ensure these monies will first be used for payment of debt service, as required by the aforementioned West Virginia Code Section.

We recommend the Authority comply with Chapter 31, Article 20, Section 10 of the West Virginia Code, as amended, and deposit all revenues into the same fund and ensure the telephone commissions, vending machine commissions and the social security incentive payments are deposited into an account which will be first used to satisfy the payment of debt service.

Agency's Response

I have combined the Authority's response to these two sections since they overlap in scope and content. In summary, I agree that the Authority must comply with Chapter 31, Article 20, Section 10 of the Code; furthermore, my staff and I thought the Authority had been in full compliance both before I arrived and since.

First, I believe that a few points need to be made absolutely clear so that no reader of the Post Audit report will infer otherwise: the debt service obligations are being fully met and there is no prediction or indicator that the Authority will have any difficulty doing so in the future; and the funds from both the PERS investment and the bonds have been- and will continue to be-used exclusively for construction purposes.

The Post Audit report notes that the Code only authorizes one "regional jail and correctional facility development fund." The report then points out that the Authority apparently has at least two funds, 6675 and what the Post Audit report claims is the "unauthorized" fund, 6676. The Post Audit report goes on to point out that the "unauthorized" fund, 6676, is where the PERS investment money is held.

By the Post Audit report's definition of "fund," the Authority has apparently had several of them in the past and currently has a least two others, 6678 (into which the per diem payments and various operational revenues are placed) and 6691 (which is our growing maintenance reserve).

According to Tony Davis, the Authority's fiscal chief, officials in the State Auditor's office insisted that the 6676 account be used for the PERS proceeds. It was the same insistence that resulted in the creation of 6691 for the maintenance reserve. In each case, the Authority was made to understand that it had no other options, that these separate accounts had to be established. Apparently, in neither case was there any objection on the part of

the Authority to this logical manner of separating by purpose the revenues into individual accounts (or funds).

Thus, here is the crux of the matter: Clearly, historically, the Authority has acted as if all of these various accounts together make up a single Authority fund. Do all of these accumulated monies represent the Authority's single fund divided into various accounts? Apparently the Post Audit report's criticism more directly relates to the manner which the Auditor's Office establishes the various accounts within the Regional Jail Authority fund pursuant to §31-20-10. After all, I have been told that the form or document that was completed in order to create each of these accounts indicates "account" at the top of the form and "fund" at the bottom, further compounding possible confusion. However, since these accounts (or funds) were all created before I became Executive Director, I have never personally seen the form.

Indeed, the Authority's use of several accounts, apparently designated as "Funds" by the Post Audit report, has evidently been in existence for about as long as the Authority itself. Thus, when I began my work as Executive Director, I continued what my predecessors had established without considering for a moment that I should examine the efficacy of something as fundamental as the Authority's methods of depositing its funds.

After ten or twelve years of the Authority's establishment; after scores of meetings between Authority officials and the Legislative Oversight Committee; after hundreds of individual inquiries from state and county elected officials, often

about the very subject of how we keep the per diem revenues absolutely separate from the construction monies; after just as many inquiries from private citizens, inmate activist groups, victims' rights groups, and others, often about budgetary matters; after thousands of transactions between the Authority and the State Auditor's Office-after all of this, it's not exactly irrational for me to have assumed that the procedure has been proper and in compliance with the Code.

Clearly, this point awaits further guidance from the Legislative Joint Committee on Government and Finance's Post Audit Subcommittee. If, however, the Authority has erred through all of these years, then we shall rectify the situation forthwith so that we are in compliance with the Code: a single fund will be left and the others will be dissolved. Within that single fund, various accounts (such as a maintenance reserve and the per diem revenues) shall be established.

Since this process is likely to be cumbersome as well as expensive with every transfer, the Authority will likely pursue legislation to help streamline the process in a less costly manner to the State. Appropriate safeguards will continue to make sure that each of the revenue sources is spent only for the purpose for which it was created.

The reason I combined the Authority's response to these two sections should be clear now: if it is unlawful for the Authority to have more than one fund to begin with, then it is clearly unlawful for the Authority is clearly not in compliance

with the Code and we shall take the necessary steps to ensure that we stay in compliance.

However, if the assumptions made since the days of the Authority-that all of the money comprises the fund which is, in itself, divided into several clearly delineated accounts as specified by law-then I feel it is incumbent to explain precisely why the Authority has acted as it has in regards to the purchasing of the computers and the hiring of the employee.

Currently, the Regional Jail Authority is involved in a major installation of a system-wide, computerized, jail management network. When we purchased most of the computers, it was quite legitimately done so through the 6676 account; this account includes the PERS investment funds which are to be used for construction, including the furniture, fixtures and equipment (FF&E) for the facilities that are constructed.

The majority of the computers were, indeed, purchased for jails that had just been completed or are in the process of being completed. (The federal grant money is paying for the computers that are being installed in the jails that were built before the PERS list was authorized and approved by the Joint Committee on Government and Finance.)

We knew at the time of their purchase that some of the computers were to be used for work with the jail management network in the central office. We prepared for the additional computer costs to the central office by requesting (and receiving) from the Legislature a large increase in our FY1998 and FY1999 budgets,

largely for the express purpose of improving the information equipment so that it would work with the new jail management network.

Likewise, the employee to whom the Post Audit report refers is the Project Manager for this computerized jail management system. Determining whether or not this position should be paid out of the construction fund or the central office fund has been quite difficult. Clearly, computer hardware is part of the FF&E of any modern structure. But a project manager doesn't just make the decision about the kinds of computers to purchase. Much more importantly, the project manager must work with much less tangible issues such as software, routing, networking, backgrounding, training, etc. The outcome of all of these issues will ultimately enable the computer hardware to function.

The project manager's job is very similar to a site manager who works for a construction contractor: his ideas, strategies, and insights will result in brick and steel forming a building. The site manager's salary is paid by the company for whom he works, but the company, in turn, is paid by us with the construction funds from 6696.

Does that mean that the project manager would be best paid as a contractor? We thought of that at the onset of the process. After noting how long it has been taking several states that have embarked on a similar jail management and national networking computerizing project, it became clear that the Authority would save money and have more continuity by hiring instead of by contracting the project manager.

Admittedly, the Authority has waffled on deciding whether or not the project manager is properly an employee who is helping to construct the jails and should thus be paid out of the 6676 account or is, instead, an employee who spends more of this time in the central office than at any other facility and who should be paid out of the technology line of the part of 6675 that is to be used for operating the jails. That is why the funds were first spent from the 6676 account and then reimbursed by a transfer from 6675.

Thus, we didn't make merely an "attempt to reimburse the fund," as the Post Audit report states; in fact, we successfully transferred the money to pay for those computers that were placed in the central office from the 6675 account (which is the account that holds money to operate the central office) to replenish money that is to be used for construction in the 6676 account. (Incidentally, the \$3,625.60 has also been replaced.)

The Post Audit report claims that this leaves the 6675 understated by \$79,468.15 (in addition to the \$3,625.60 that was transferred earlier this week, to follow the logic of the Post Audit report). Again, certainly if only one fund is valid and lawful, then any exchange between more than one fund is, by definition, out of compliance with the Code.

However, if these funds can be constructed as separate accounts in a single Authority fund, then there can be no understatement. The 6675 account is to be used for repaying the debt service obligations as well as operating the central office.

The updated computers are clearly a legitimate central office operational expense "necessary for the efficient operation of the authority" [31,20,10(a)].

Finally, I need to address the issue of how to use and where to deposit the revenues from the inmate telephone system, vending machines, and Social Security incentive payments. Again, this point is completely moot if the Authority is prevented from having more than a single fund as defined in the Post Audit report.

But if the Authority is judged to be delineating its accounts appropriately, then it is important to note that, since the first jail opened, this revenue (which is the result of operational activities within the jails) has been applied to help defray the per diem costs. This decision was based on §31-20-10(f)(6) of the Code: "Any amounts deposited in the fund from other sources permitted by this article shall be expended in the respective regions based on particular needs to be determined by the authority."

Clearly, one of the Authority's missions is to serve the counties in as efficient and frugal manner as possible. Using monies generated from operations that are themselves made possible from typically county per diem payments is both logical and helpful in keeping the Authority's per diem rate as low as possible.

Whatever is finally decided to be correct, lawful procedure for the Authority's deposits, rest assured that we shall be in full compliance with the Code.

Inappropriate Expenditures and Revenue Transfers

During the period August 1, 1999 through December 31, 1999, the Authority made inappropriate expenditures from the unauthorized fund 6676 (West Virginia Regional Jail and Correctional Facility Development Fund); this fund contains monies from the Public Employee's Retirement System (PERS) loan, and interest monies derived from investment of the 1990 Series A bond issue and refunded to the Authority when the bonds were reissued in 1998. The West Virginia Code requires all funds raised by the sale of bonds or borrowing be used for the purpose of construction or renovation; however, one employee's salary and travel expenses were paid from this fund, as well as, computers being purchased for use by various central office personnel. These expenditures totaled \$83,103.75 during the first half of fiscal year 2000. In addition, the Authority transferred revenues from fund 6675 (West Virginia Regional Jail and Correctional Facility), which is the appropriated special revenue account set up to first satisfy payment of debt service, to fund 6676 (West Virginia Regional Jail and Correctional Facility Development Fund) in an attempt to reimburse that fund for the expenditures noted above.

Chapter 31, Article 20, Section 10 of the West Virginia Code, as amended, states in part:

" . . . (f) The amounts deposited in the fund shall be accounted and expended in the following manner:

- (1) Amounts raised by the sale of bonds or other borrowing authorized by this article shall be deposited in a separate account within the fund and be expended for the

purpose of construction, renovation and repair of correctional facilities, regional jails and juvenile detention and correctional facilities for which the need has been determined by the authority;

(2) Amounts deposited from all other sources shall be pledged first to the debt service on any bonded indebtedness, including lease-purchase obligations entered into by the authority with another state entity or other obligations incurred by borrowing of the authority. ..."

The Authority transferred revenues into the unauthorized fund 6676 (West Virginia Regional Jail and Correctional Facility Development Fund), which contains monies required to be used for construction. The revenues were transferred from the appropriated special revenue fund 6675 (West Virginia Regional Jail and Correctional Facility), which must be used first to satisfy payment of debt service, and is the fund which all court fees and filing fees are deposited. While the aforementioned revenue transfers, with the exception of \$3,635.60, replaced all of the monies inappropriately expended from the fund 6676 (West Virginia Regional Jail and Correctional Facility Development Fund); the transfers also removed revenues from an appropriated fund, causing the fund to be understated by \$79,468.15.

In effect, the Authority has spent monies designated by the West Virginia Code for construction or renovation to pay the salary and travel expenses of an employee and to purchase computers used in the central office. Then, in an attempt to replace the funds spent out of the construction fund, they have transferred monies from a special revenue fund appropriated by the legislature to an unappropriated special revenue account.

We recommend the authority comply with Chapter 31, Article 20, Section 10 of the West Virginia Code, as amended.

Agency's Response

See response to previous finding.

Accounts Receivable - Per Diem Fees

During our audit period, we noted the Authority had accounts receivable which included several delinquent accounts. We noted eight of 84 account balances tested showed government agencies have outstanding past due balances.

Seven of the eight past due amounts, which totaled \$595,699.50, were Division of Corrections (DOC) accounts. This amount is included in claims filed by the Authority with the Court of Claims for the amounts due from DOC. The total amounts awarded were \$4,017,465.50 and \$1,968,970.00 for fiscal years 1999 and 1998, respectively. Also, the City of South Charleston owed the Authority \$6,320.00 for fiscal year 1999 and \$8,360.00 for fiscal year 1998. The Administrative Services Assistant stated the City of South Charleston stopped paying monthly per diem invoices in March 1999. She stated she continues to resubmit invoices to the City of South Charleston and phone them to remind them of their unpaid invoices, but has yet to receive payment for regular monthly charges. We noted no further attempts by the Authority to collect the delinquent accounts from the City of South Charleston other than, the resubmitting of invoices and the reported periodic phone calls asking them to pay.

Additionally, we noted several instances of payments from local governments not being received in a timely manner. Agency personnel stated some of the counties in West Virginia are very poor and pay their per diem fees when they can.

The Legislative Rule Title 94, Series 3 states in part,

"6.2 The monthly statements of costs incurred shall be due and payable upon receipt by the responsible entity."

The Authority is funded through special revenue sources such as per diem fees. If the Authority's debtors do not remit their monies in a timely manner, the Authority would be in danger of experiencing cash flow problems.

We recommend the Authority aggressively pursue all available avenues to ensure the debtors pay their per diem fees in a timely manner in compliance with Legislative Rule Title 94, Series 3.

Agency's Response

We agree with the findings of fact in this section. We too are troubled when jurisdictions fail to pay what is owed in a timely fashion. However, we want to make it clear that we have aggressively, though reasonably, pursued collections.

The report accurately notes that by far our largest debtor is the Division of Corrections. In the last fiscal year, DOC owed us \$4,017,465.50 which we pursued and won in the court of Claims. In the fiscal year before that, the Division of Correctins owed us \$1,968,970.00; in the year before that, they owed us \$543,900; and in FY 1996, the DOC owed us \$304,627.52. All of

these amounts were vigorously--and successfully--pursued through the only avenue that was available to the Authority, the Court of Claims.

No one is more aware that I of the danger in experiencing cash flow problems in this special revenue agency. That is why I have pursued legislation during the last two years (in 1999 SB204 [Appendix J] and in 2000 SB140 [Appendix K]) that would have allowed the Authority to collect what is owed from the Treasurer's Office when those counties and/or cities that owe past due bills have any amount of surplus in their accounts. This process would save us the cost of litigation. Both of these bills have been buried in committee.

In fact, during the 1999 Legislative Session, for even suggesting that a collection bill be passed in the Legislature, I was subject to intense public criticism, attacks, and downright ridicule in various media reports from certain Kanawha County commissioners and other county officials from around the state. Undaunted, I came back in the 2000 Legislative Session with a similar bill that did not provoke the same level of meanness, but was just as dead on arrival!

Court action, of course, is one option. We have threaten to use it in only one case that was getting out of control, that of Mingo County. At the March Authority Board meeting, I suggested that the Board direct me to seek legal remedies in the case of Mingo County whose bill had grown to almost three quarters of a million dollars. The letter from the lawyer (and my own phone call

suggesting that we would pursue legal discovery of every dime the county has spent for the last several years) seemed to work: Mingo has paid close to \$300,000 of its bill in the last month, and has given us a schedule for paying the rest of what is owed.

The case of Calhoun County is quite different from that of Mingo. Over two years ago, officials from Calhoun County met with me to plead their case. In brief, the county is broke. They asked for forgiveness of their bill; naturally, I informed them that such forgiveness was unlawful and, therefore, out of the question. Instead, I suggested a payment plan with balloon payments due every July to keep the bill from growing beyond reason. I'm happy to report that the extremely conscientious county officials of Calhoun County have kept their word, religiously sending in their monthly payment and sending as much as they can during each of the last two Julys.

This was probably more than you expected. I have gone into such detail to show you that we have aggressively pursued collection. The smaller bills from the municipalities would often cost us more in their pursuit through the courts than the bills themselves total.

Besides, I have to believe that the Authority will finally be successful in obtaining legislation that will allow us to collect from accounts in the Treasurer's Office, thus avoiding the legal expenses of collecting especially the smaller amounts.

In the meantime, we shall continue to write the letters and make the telephone calls and, if the amount is large enough to warrant it, seek court remedies.

Payment For Personal Services Not Rendered

We noted four employees were paid a total of \$950.54 for services not rendered. Also, the Authority paid overtime to an employee who is exempt under the West Virginia Regional Jail and Correctional Facility Authority Policy and Procedure Statement 3021.

One employee was allowed to take annual and sick leave and remain on the payroll numerous times during the period December 1, 1997 through March 31, 1998, even though the employee had exhausted all of her leave. During the period February through May 1998, six of eight paychecks issued were adjusted to compensate for the resultant overpayments. After all adjustments and deductions were completed, the employee was compensated for 5.5 hours more than records indicate she worked, resulting in an overpayment of \$46.53.

During the period January 1, 1999 through June 20, 1999, another employee was allowed to take annual and sick leave and remain on the payroll on three separate occasions when she had exhausted all of her sick and annual leave. Again, deductions were made to subsequent pays to compensate for the overpayments. This employee never returned to work after June 2, 1998, but received compensation for working through June 15, 1998 with a deduction from her final paycheck for hours previously missed. All of this resulted in an overpayment of \$440.40.

Additionally, we noted this employee received two merit increases, one of \$634.00 per year on April 15 and another of \$482.00 per year on June 1, 1999.

A third employee was allowed to take four hours of compensatory time even though her time sheets did not indicate any time worked in excess of the normal workday or workweek. As a result, she was paid for 37.5 hours when her time records indicated she only worked 33.5 hours. This created an overpayment of \$26.88.

This employee stated she had taken work home on July 16, 1998 and the next day the Director of Personnel told her she could leave early since she had worked at home on July 16th.

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

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

Also, a fourth employee, who is classified as exempt and ineligible to receive overtime compensation according to Authority policy, was paid for 16 hours at 1.5 times his normal hourly rate of pay or a total of \$436.73. In addition, this error was compounded by the fact that his time sheets for the week indicated he only worked a total of 42 hours and was on sick leave for 7.5 hours. Consequently, even if he had been eligible for overtime pay, he would have only been entitled to 2.5 hours at his regular hourly rate and two hours at 1.5 times his regular hourly rate. Also, the hourly rate used to calculate overtime was incorrect because annual increment pay of \$450.00 was not included when determining the hourly rate of pay for overtime.

The West Virginia Regional Jail and Correctional Facility Authority Policy and Procedure Statement 3021 states in part,

" . . . 4. Central Office staff, with the exception of clerical and secretarial positions, shall be considered exempt with regards to overtime compensation."

We recommend the Authority comply with Chapter 12, Article 2, Section 13 of the West Virginia Code, as amended, and Authority Policy and Procedure Statements 3015 and 3021. We further recommend they strengthen internal controls to ensure leave is granted only to those employees who have leave balances sufficient to cover the leave requested.

Agency's Response

We admit to careless calculation errors on the part of the overpayments that you note here. These errors are largely due to a poor system of collecting the time sheets in a manner that is as prompt as possible.

We are taking measures to get the time sheets collected without fail in a much prompter fashion and to strengthen internal controls. (Please see attached memorandum Appendix A).

We also inadvertently paid overtime to one of the supervisory staff members. We have never allowed such overtime since that single error and have reminded all of the supervisory employees about our policy.

Staff Not Adhering to Authority's
Internal Control Procedures

We noted a total of 29 of 104 construction expenditures tested were not approved by the Construction Manager, as required by Authority procedures. Of the 29 expenditures noted, 26 were instead approved by the Executive Director or Deputy Director and the remaining three were approved only by the Accounting Technician III, who processed the invoices for payment.

Agency personnel stated, when the current Executive Director assumed his position with the Authority in June 1997, he decided he wanted to review and sign all of the construction invoices and payment applications himself. The dates on the invoices which did not have the Construction Manager's signature ranged from August 19, 1997 - December 30, 1997. In addition, the Accounting Technician III stated there were times when she signed the payment applications without obtaining the Construction Manager's, or the Executive Director's signature, because the application needed to be paid and neither of those two officials were available to sign it. When we took the documentation to the Construction Manager and asked him to verify the work had been done, he reviewed the applications for payment and certified all work the Authority had paid for had been completed.

Certification by the Accounting Technician that work has been completed, simply to expedite payment, could result in payments for services not rendered.

In addition, we noted four instances of the Authority carrying incorrect balances in their accounts receivable ledger. This was a result of the debit and credit memorandums not being posted to the accounts receivable ledger in a timely manner, because they were not forwarded to the accounts payable division as they were issued.

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

We recommend the Authority comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, which requires the agency head to have in place an effective system of internal controls in the form of policies and procedures set up to ensure the agency operates in compliance with the laws, rules and regulations which govern it.

Agency's Response

The construction expenditures that you noted were unsigned by the construction manager was largely the result of my own error, although—frankly—my Deputy Director at the time was aware of the policy and did not inform me of the proper procedure.

When I took the position as the Executive Director, I eliminated signature authority for anyone except me. I felt that

was the best way to take responsibility for and control of the agency. (Incidentally, I have now given signature authority to other employees for their specific areas.) I never intended for the protocol of the Construction Manager signing off on work performed to be stopped; I simply wanted to check over what work had been done and sign after his own signature.

When the Accounting Technician III has signed for work that has been completed in order to expedite payment, she has been in contact with the Construction Manager or with me through long distance in order to make sure that the work had been completed. (I, in turn, have typically called the architect's rep to get further reassurance.)

These are the realities of a vigorous workplace where only three people compose the entire construction section in an agency that is handling literally hundreds of millions of dollars' worth of construction. If our own Policy and Procedure Manual needs to be changed in order to comply with these realities, then consider it changed since the first page of the Policy and Procedure Manual states that "The West Virginia Regional Jail and Correctional Facility Authority reserves the right to modify, revoke, suspend, interpret, terminate, or change any of the provisions of this manual, in whole or in part, at any time, without advance notice."

The second issue you addressed has to do with incorrect balances in the accounts receivable ledger. We must clearly do a better job of insuring that there is no confusion with the ledger

and that, in spite of the flurry of activity at certain times of the month when checks are arriving, the ledger is always clear and in balance.

Credit Card Purchases

We noted most of the purchasing card invoices selected for testing during the period July 1, 1997 - June 30, 1999 did not indicate a zero balance due nor were they stamped "Paid". The Administrative Services Manager II stated all the regional jails are supplied with the stamp for appropriately marking the invoices as "Paid by VISA". Not all the jails have been diligent in doing this. He issued a memo dated October 6, 1999 to all regional jails informing them that they must put the "Paid by VISA" stamp on all invoices received as supporting documentation for purchase card purchases; however, this stamp does not address the problem. The State of West Virginia 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 may be in any form. Shipping tickets order forms may be acceptable if the following information is provided and conditions met:

- A valid receipt shows no balance due or an invoice marked Paid . . ."

Also, we found three instances of no documentation being present for purchases totaling \$761.97. The following is a list of the three purchases made by Central Office cardholders: (1) a purchase from Staples on June 3, 1998 for \$299.97; (2) Sally Beauty Supplies on July 15, 1998 for \$339.00, the log sheet indicated the purchase was for Southwestern Regional Jail; and, (3) Service

Office Supply on October 1, 1998 for \$123.00. In addition, the purchase for Service Office Supply was not listed on the Log Sheet.

The Administrative Services Manager II stated he had requested the documentation for the Sally Beauty Supply and Staples purchases from the vendors, but was unable to obtain the receipts. He also stated the purchase from Service Office Supply not being on the log sheet was probably an oversight by the cardholder.

By not insuring the invoices either show no balance due or are marked "Paid", there is a potential risk of the Authority processing an invoice, that was received as supporting documentation for a purchase card purchase, for payment a second time. For the three instances when no receipt was provided, we were unable to determine the items purchased were in compliance with the guidelines set out in the State of West Virginia Purchasing Card Policies and Procedures or if the Authority received the benefit of the items purchased.

Additionally, we noted in twelve of twenty transactions tested, cover sheets for payment were not made and received by the State Auditor by the applicable due date. The payments ranged from one to 15 days late.

The State of West Virginia Purchasing Card Policies and Procedures in effect during fiscal year 1999 states in part,

". . . Failure to forward invoices for payment to the State Auditors Office in a timely manner or violation of these procedures may result in the agency's participation in the program being canceled. . ."

The State of West Virginia Policies and Procedures also states in part,

For fiscal year 1998,

". . . All WV FIMS cover sheets for payment must be received by the Auditor at least five days prior to the statement due date. . ."

For fiscal year 1999,

". . . The invoice for payment must be received by the Auditor's Office on or before the first business day prior to the 22nd of the month, regardless of the status of the statement reconciliation process. . ."

The Administrative Services Manager II stated the invoices and statements are not always received at the Authority on time from the regional jail facilities. This in turn makes the payments received by the State Auditor's office late. He stated that no penalties are charged by the Auditor's office and also no finance charges are incurred from One Valley Bank when payments are late.

We recommend the Authority comply with the State of West Virginia Purchasing Card Policies and Procedures.

Agency's Response

First of all, the Authority shall continue to do everything in its power to comply with the Purchasing Card Policies and Procedures of the State of West Virginia.

In that regard, a memorandum from the Authority's Deputy Director, Jimmy Plear, was issued on October 6, 1999 (Appendix B), to all of the regional jails reminding them that they must put the "Paid by VISA" stamp on all invoices received as supporting documentation for purchase card purchases. The Legislative Post

Audit report claims that this does not address the problem. However, obviously, this memorandum does indeed address the problem of neglecting to put the "Paid by VISA" stamp on the invoices.

Just as obviously, the memorandum does not address the problem of a lack of accompanying invoices. The two of the three that were listed as failing to have invoices (as well as the purchase from Service Office Supply failing to be listed on the log sheet) are the result of careless errors on the part of the Authority staff. However, there is an invoice for Service Office Supply with the receipt attached. (Please see Appendix D.)

Clearly, we must do a better job of monitoring these purchases so that all of the proper procedures are followed.

The lateness of a dozen transactions was quite troubling to me. I have stressed repeatedly timeliness in all things at the Authority. While there are no additional charges for lateness at either the Auditor's office or at One Valley Bank, nevertheless, the invoices must be submitted in a more timely fashion from the regional jails.

We are currently involved in the installation of a new computerized jail management system (with the help of over \$800,000 in federal funds). This system promises to alleviate problems such as these since the entry on a computer at any of the jails will result in the information being received and processed at the central office instantaneously. Thus, tardiness (as well as a lack of receipting) should soon be a thing of the past in this area.

Payment of Penalties and Interest
on Worker's Compensation Premiums

The Authority paid late fees and interest to the Worker's Compensation Division on two occasions, because they did not pay their Worker's Compensation premiums in the required time frame. For the quarter ending December 31, 1997, the Authority was charged a late fee of \$500.00 and interest of \$8.38 as a result of the Authority's payment being ten days late. The \$508.38 should have been prorated between two Central Office funds and six regional jail facilities; however, the total amount was paid from the Central Office fund 6675.

<u>Agency</u>	<u>Calculated Amount</u>	<u>Actual Amount Charged</u>	<u>Difference</u>
Central Office Fund 6675	\$ 63.55	\$508.38	\$444.83
Central Office Fund 0536	63.55	0.00	(63.55)
Eastern Regional Jail	63.55	0.00	(63.55)
Northern Regional Jail	63.55	0.00	(63.55)
Southern Regional Jail	63.55	0.00	(63.55)
Central Regional Jail	63.55	0.00	(63.55)
South Central Regional Jail	63.55	0.00	(63.55)
Southwestern Regional Jail	<u>63.55</u>	<u>0.00</u>	<u>(63.55)</u>
TOTAL	<u>\$508.40</u>	<u>\$508.38</u>	<u>\$.02</u>

For the quarter ending June 30, 1999 payment, the Authority was charged a late fee of \$3,324.22 and interest of \$1,969.94 as a result of the Authority's payment being 31 days late. The \$5,294.16

was appropriately prorated between Central Office and seven regional jail facilities at \$588.24 each.

Authority personnel stated the quarter ending December 31, 1997 payment was late because the invoice got misplaced and forgotten until they ran across it sometime later and paid it. In regard to the late payment for the quarter ending June 30, 1999, they stated they had trouble with the first payroll they did on the new EPICS payroll system. The first payroll done on the new payroll system was dated June 30, 1999.

Chapter 23, Article 2, Section 5 of the West Virginia Code, as amended, states in part,

" . . . (1) Thereafter, premium taxes shall be paid quarterly on or before the last day of the month following the end of the quarter, and shall be the prescribed percentage of the entire gross wages of all employees, from which net payroll is calculated and paid, during the preceding quarter . . ."

During the period July 1, 1997 - June 30, 1999, the Authority paid a cumulative total of \$3,824.22 in late charges and \$1,978.32 in interest. In addition, the Authority overpaid a total of \$444.83 the quarter ending December 31, 1997.

We recommend the Authority pay Worker's Compensation premiums in accordance with Chapter 23, Article 2, Section 5 of the West Virginia Code, as amended, in order to avoid paying any further late fees and interest.

Agency's Response

The Post Audit report pinpointed both the problems and the reasons for these two late payments. The first lateness was

the result of a careless mistake: a misplaced invoice. The second instance of tardiness was the result of the conversion to the new payroll system (which, frankly, seemed to cause a great deal of confusion throughout state government in the new system's inception).

Neither of these instances of tardiness is excusable. We shall continue to take every precaution not to allow it to happen again.

Equipment Inventory

In our test of equipment, we were unable to locate four of the 40 equipment items purchased during our audit period and selected for testing. These included a High Back Chair costing \$289.00, a Hallmark Cart costing \$99.99, a Printer Stand for \$39.99, and a Multi Link Stick for \$175.00. Also, 11 of the 40 equipment items should have been, but were not included, on the Authority's inventory list.

Section 3.2 of the Inventory Management and Surplus Property Disposition states:

3.2 "Agencies are responsible for all property, regardless of its state (removable or fixed), origin, or acquisition cost."

And Section 3.6 of the Inventory Management and Surplus Property Disposition states:

3.6 "Reportable Property: The Purchasing Division has established a capitalization figure of \$1,000.00 and a useful life of one (1) year or more. This means that any item which has an original acquisition cost of \$1,000.00 or more and a useful life of one (1) year or more should be placed into the agency's inventory. An agency may, however,

include property or equipment costing less than \$1,000.00 in the report submitted to the Purchasing Division."

The Accounting Technician III was unable to assist us in locating the four equipment items noted above. Also, she stated she has not had time to update the equipment inventory listing.

We recommend that the Authority comply with sections 3.2 and 3.6 of the Inventory Management and Surplus Property Disposition Policies and Guidelines.

Agency's Response

I was troubled to learn that any equipment whatsoever could be unaccounted for. It is true that, during this massive computer upgrade that we have undertaken, a virtual flurry of equipment purchases have occurred. Clearly, three of the four items that are, at least temporarily, unaccounted for related to this area.

Clearly, we must take stronger precautions about items being purchased and not logged in and make sure that we are in complete compliance with Section 3.2 and 3.6 of the Inventory Management and Surplus Property Disposition.

Yet I think that it is especially telling that it is noted in the Post Audit report that the Accounting Technician III claimed that she had not had the time to update the equipment inventory listing. Again, it seems valuable to keep a clear perspective of the relative paucity of employees at the Central Office, especially compared to some of the larger departments who can afford to assign an employee or two to the sole task of such duties.

Also, I was shocked that we had missed tagging even the two items that were noted in the report. We shall make sure that inventory tags are on all items and ensure that we are fully in compliance with the Inventory Management and Surplus Property Disposition Policies and Guidelines.

Incorrect Travel Reimbursement

We found one employee was erroneously reimbursed for the cost of replacing a lost ticket and also reimbursed at the incorrect rate for meals. The Director of Personnel was reimbursed \$70.00 for replacing a lost airline ticket when he was traveling to Fort Worth, Texas to attend an American Jail Association Meeting. Because the extra cost was due to the employee's negligence, the \$70.00 reimbursement is not allowable.

The Governor's Travel Regulations state, in part,

" . . . These rules governs in state, out-of-state and international travel, hereinafter referred to as "travel," for state officials and employees and non-employees... If a change in the cost of airfare is incurred, the charge is reimbursable if the traveler is directed by the appropriate spending unit officer to change her or his travel plans, or if other extenuating circumstances arise. Increased or extra charges incurred due to the traveler's negligence will be considered a personal expense of the traveler and shall not be reimbursed . . ."

The Accounting Technician III stated that when the employee lost his ticket, she telephoned the State Auditor's Office to see if he could be reimbursed for the lost ticket fee and they told her to go ahead and reimburse him, but to keep copies of what she did.

Next, we found the employee's meal reimbursement exceeded the allowable limit. The Director of Personnel was reimbursed for meals at a rate of \$42.00 per day for six days when he should have been reimbursed for \$38.00 per day for six days. As a result, he was overpaid \$24.00. The Accounting Technician III stated the Authority was unable to obtain the current per diem rates because they did not have access to the internet at the time of the trip to obtain current rates, so they used the per diem rates which they had. These per diem rates were effective January 1, 1998 - December 31, 1998. The trip was taken in May 1999 and the per diem rates had changed.

The Governor's Travel Regulations state, in part,

" . . . State employees will be reimbursed the actual cost of meals when there is an overnight stay. Employees will be reimbursed actual costs not to exceed the established General Service Administration meal rates. Exceptions may be granted to these rate in situations where the Cabinet Secretary/Agency Head authorizes. If reimbursement is made in excess of the GSA rate, receipts are required and the Cabinet Secretary/Agency Head must approved the expense voucher. . ."

We recommend the Authority comply with the Governor's Travel Regulations. We further recommend the Authority seek reimbursement of the \$94.00 overpayment to the employee.

Agency's Response

We were told by the Auditor's office to reimburse the \$70.00 for the lost ticket in precisely the manner which we followed. Furthermore, according to the travel rules booklet given to us at the State Purchasing Conference, \$42.00 was the correct meal allowance.

However, we have since learned that the travel rules booklet did not cover the correct dates of the time of the trip. Apparently, the advice that the Auditor's office gave concerning the \$70.00 was not in compliance with the Code.

Thus, the Authority has informed the employee, Personnel Director Todd Chafin, that he owes the Authority \$94.00. He has already drawn up the check and it should be deposited by the end of the day April 28.

Contract Monitoring

We noted Mountain Vending is not complying with the terms of their contract with the Authority. After reviewing the supporting documentation provided, we noted Mountain Vending is not sending a statement detailing the total sales from each facility.

The contract between the Authority and Mountain Vending states in part,

" . . . Commission is to be paid as a percentage of gross sales at the close of each monthly accounting period. . . Such commission checks shall be accompanied by a statement of total sales from each vending machine and proper identification of the facility in which the sales were made. . ."

As a result of the vendor not submitting the proper supporting documentation, we cannot determine if the Authority is receiving the correct commissions from vending machine sales. The total amount of commissions received from Mountain Vending during fiscal years 1998 and 1999 was \$5,000.59.

We recommend the Authority monitor their contracts to ensure compliance with the terms of the contracts.

Agency's Response

We have attempted to monitor every contract diligently. Clearly, in the case of Mountain Vending, we have failed to be as exacting as we should.

The Authority shall continue to monitor every contract in a precise and full manner. Furthermore, we shall especially step up our monitoring of the Mountain Vending contract.

Contract With Juvenile Services

The Authority entered into a salary agreement with the West Virginia Division of Juvenile Services (Juvenile Services) on August 19, 1998. The Salary Agreement stated the Authority would perform the following services for Juvenile Services.

1. Training in the area of appropriate security measures as it relates to the provision of educational services provided at juvenile detention centers and correctional facilities.

2. Consultation related to standards for space allocation for educational services and programming in the proposed juvenile detention centers and correctional facilities to be built by the West Virginia Regional Jail and Correctional Facility Authority."

In addition, the Salary Agreement states,

"The proposed Date(s) of Service: are from August 24, 1998 to September 30, 1998. The rate of pay shall be \$5,175.00 per month not to exceed \$7,000.00 for the entire term of the contract. The Division of Juvenile Services does hereby agree to reimburse the West Virginia Regional Jail and Correctional Facility Authority's aforementioned salary agreement. . ."

During the period August 24, 1998 - October 15, 1998, the Authority paid this individual a total of \$4,681.81. For the period August 24 - 28, 1998, he received \$931.81; he received nothing on September 15, 1998; and on both September 30, 1998 and October 15, 1998, he received a salary of \$1,875.00. The time sheets provided by the Authority indicated the employee worked from August 24, 1998 through September 30, 1998. Since the Authority's Central Office payroll is not paid in arrears, we could not determine why the individual received a paycheck on October 15th and none on September 15th. Agency staff could offer no explanation for this. Also, the employee's WV-11 indicated his termination date was September 30, 1998.

The agreement stated Juvenile Services would reimburse the Authority for his salary. However, we could find no evidence that Juvenile Services reimbursed the Authority any portion of the \$4,681.81 they expended, and the Administrative Services Manager II verified that no reimbursement was received.

We recommend the Authority file a claim with the Court of Claims, as provided in Chapter 14, Article 2, Section 2 of the West Virginia Code, as amended, to recover the monies which are due them.

Agency's Response

It is frustrating when the Authority is owed money by any agency. It is especially frustrating when that agency is a fellow division of the Department of Military Affairs and Public Safety.

Thus, we shall happily pursue collection efforts in the Court of Claims, if necessary.

Accounting Assistant III Debbie Aldridge reviewed this section of the report and sent the following information to me: "Mr. Friend worked from August 24 through September 30, 1998. He was paid by Supplemental on September 15th for time worked August 24 through August 30. For time worked September 1, through September 15, he was paid on September 30, 1998. For time worked September 15 through September 30, he was paid on October 15, 1998, which would have been his final paycheck."

I hope this clarifies the matter of the dates that the paychecks were issued.

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 of the West Virginia Regional Jail and Correctional Facility Authority for the years ended June 30, 1999 and June 30, 1998. The financial statement is the responsibility of the management of the West Virginia Regional Jail and Correctional Facility Authority. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement was prepared on the cash and modified cash basis of accounting, which are comprehensive bases of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the appropriations and expenditures and revenues collected and expenses paid of the West Virginia Regional Jail and Correctional Facility Authority 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 statement taken as a whole. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,

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

April 17, 2000

Auditors: Michael A. House, CPA, Supervisor
Rhonda Combs, Auditor-in-Charge
Tim Butler, CPA
Lori Fischer
Carolyn Sanders

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENT OF APPROPRIATIONS/CASH RECEIPTS, EXPENDITURES/
DISBURSEMENTS AND CHANGES IN CASH BALANCES

	<u>Year Ended June 30, 1999</u>		
	<u>General</u>	<u>Special</u>	<u>Combined</u>
	<u>Revenue</u>	<u>Revenue</u>	<u>Totals</u>
Appropriations/Cash Receipts:			
Reappropriations	\$0.00	\$ 0.00	\$ 0.00
Proceeds from Public Retirement System Loan	0.00	150,000,000.00	150,000,000.00
Proceeds from Bond Issuance	0.00	139,748,653.26	139,748,653.26
Regional Jail - Per Diem	0.00	21,369,344.86	21,369,344.86
Court Fees and Filing Fees	0.00	10,494,041.41	10,494,041.41
Supplemental Appropriation - SB 431	0.00	0.00	0.00
Loan From Investment Management Board	0.00	0.00	0.00
Interest Earnings	0.00	3,708,834.47	3,708,834.47
Funds to Pay Court of Claims Judgement - SB 426	0.00	0.00	0.00
Transfer From Regional Jail and Correctional Facility Development Fund - Fund 6676	0.00	35,254,717.60	35,254,717.60
Miscellaneous Collections and Transfers	0.00	536,032.35	536,032.35
Prior Year Expiring Funds	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	0.00	<u>361,111,623.95</u>	<u>361,111,623.95</u>
Expenditures/Disbursements:			
Personal Services	0.00	583,543.28	583,543.28
Employee Benefits	0.00	177,548.34	177,548.34
Current Expenses	0.00	11,111,058.37	11,111,058.37
Repairs and Alterations	0.00	2,028.93	2,028.93
Equipment	0.00	99,190.11	99,190.11
Jail Construction and Renovations	0.00	0.00	0.00
Debt Service	0.00	8,850,804.86	8,850,804.86
Transfer to Regional Jail and Correctional Facility Development Fund - Fund 6676	0.00	26,284,790.12	26,284,790.12
Court of Claims Payment (Hinkle Electric)	0.00	100,000.00	100,000.00
Bond Issue Costs	0.00	1,925,633.99	1,925,633.99
Transfer to Bond Trustee	0.00	137,487,469.69	137,487,469.69
Transfers to Jail Construction Funds	0.00	41,004,371.72	41,004,371.72
Transfer to Regional Jail Funds	0.00	22,081,766.51	22,081,766.51
Court of Claims Payment (Kenhill Construction Co. Inc.)	0.00	0.00	0.00
Miscellaneous Transfers	<u>0.00</u>	<u>716,164.20</u>	<u>716,164.20</u>
	0.00	<u>250,424,370.12</u>	<u>250,424,370.12</u>
Appropriations/Cash Receipts Over Expenditures/Disbursements	0.00	110,687,253.83	110,687,253.83
Beginning Balance	<u>0.00</u>	<u>11,374,035.90</u>	<u>11,374,035.90</u>
Ending Balance	<u>\$0.00</u>	<u>\$122,061,289.73</u>	<u>\$122,061,289.73</u>

Year Ended June 30, 1998

<u>General Revenue</u>	<u>Special Revenue</u>	<u>Combined Totals</u>
\$13,803,352.60	\$0.00	\$13,803,352.60
0.00	0.00	0.00
0.00	0.00	0.00
0.00	16,912,940.56	16,912,940.56
0.00	10,018,341.15	10,018,341.15
0.00	10,000,000.00	10,000,000.00
0.00	10,000,000.00	10,000,000.00
0.00	510,039.71	510,039.71
0.00	489,519.39	489,519.39
0.00	0.00	0.00
0.00	0.00	0.00
0.00	154,941.79	154,941.79
<u>0.00</u>	<u>76.68</u>	<u>76.68</u>
13,803,352.60	48,085,859.28	61,889,211.88
50,760.30	418,471.88	469,232.18
20,375.63	132,912.39	153,288.02
1,934,755.05	189,415.28	2,124,170.33
0.00	1,581.50	1,581.50
34,152.07	13,830.29	47,982.36
11,763,309.55	0.00	11,763,309.55
0.00	9,306,210.90	9,306,210.90
0.00	85,727.75	85,727.75
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	16,103,755.16	16,103,755.16
0.00	18,374,000.00	18,374,000.00
0.00	489,519.39	489,519.39
<u>0.00</u>	<u>252,887.60</u>	<u>252,887.60</u>
<u>13,803,352.60</u>	<u>45,368,312.14</u>	<u>59,171,664.74</u>
0.00	2,717,547.14	2,717,547.14
<u>0.00</u>	<u>8,299,212.01</u>	<u>8,299,212.01</u>
<u>\$ 0.00</u>	<u>\$11,016,759.15</u>	<u>\$11,016,759.15</u>

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policies

Accounting Method: The modified cash basis of accounting was followed for the General Revenue Fund during fiscal year 1998. The major modification from the cash basis is that a 31- day carry-over period provided at the end of the fiscal year for obligations incurred in that year. The cash basis of accounting is followed for all other funds. Therefore, certain revenue and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

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 that 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 four and one-half percent of their compensation and employees have vested rights under certain circumstances. Contributions by the West Virginia Public Employees' Retirement Board are nine and one-half percent of the employee's compensation. The Authority's pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
General Revenue	\$ 0.00	\$ 5,155.12
Special Revenue	<u>52,279.88</u>	<u>38,394.38</u>
Total	<u>\$52,279.88</u>	<u>\$43,549.50</u>

Note C - Long-Term Debt

On August 20, 1998, the State Building Commission (the Commission) issued \$94,210,000.00 of Lease Revenue Refunding Bonds (West Virginia Regional Jail and Correctional Facility Authority), Series 1998A (the Series 1998A Bonds); \$8,410,000.00 of Lease Revenue Bonds (West Virginia Regional Jail and Correctional Facility Authority), Series 1998B (the Series 1998B Bonds); and, \$14,875,000.00 of Subordinate Lease Revenue Bonds (West Virginia Regional Jail and Correctional Facility Authority), Series 1998C (the Series 1998C Bonds). The Series 1998A Bonds, Series 1998B Bonds and Series 1998C Bonds are hereafter referred to as "the Series 1998 Bonds".

The proceeds, net of issuance costs of the Series 1998A bonds were used to advance refund The State Building Commission of West Virginia Lease Revenue Bonds (West Virginia Regional Jail and Correctional Facility Authority Projects) 1990 Series A Bonds in the amount of \$96,194,767.00. These proceeds were used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds mature or are called. The proceeds of the Series 1998B and 1998C Bonds are to be used to construct regional jails and correctional facilities.

The advance refunding allowed the Authority to reduce its total debt service requirements by \$7,224,000.00 which resulted in an economic gain of \$3,021,000.00 (the difference between the present value of the debt service payments on the old and new debt issues).

The Series 1998B Bonds are secured by the regional jails and correctional facilities and an irrevocable pledge of the lease payments, which are required to be in sufficient amounts to pay both principal and interest on the bonds when due. The bonds mature serially through July 1, 2021 with interest rates ranging from 4.31% to 5.35%. Upon expiration of the lease term, title to the regional jails and correctional facilities will pass to the Authority.

Also, during the year ended June 30, 1999, the Authority received a \$150,000,000.00 note payable from the West Virginia Public Employees Retirement System (PERS) bearing interest of 6.61% which is due on August 31, 2023. The \$150,000,000.00 PERS loan was authorized by the enactment of House Bill 4702 on March 14, 1998 by the 1998 Regular Session of the West Virginia Legislature. House Bill 4702 also amended Chapter 33, Article 3, Section 14(c) of the West Virginia Code to provide for the dedication of one-twelfth of the projected annual investment earnings of the West Virginia Insurance Tax Fund, not to exceed \$20,000,000.00 per year to be used to pay debt service on the PERS loan.

During the year ended June 30, 1999, the Authority used a portion of the PERS loan proceeds to repay \$10,000,000.00 advanced from the General Revenue Fund of West Virginia through a supplemental appropriation authorized by Senate Bill Number 431 passed during the 1998 Regular Session of the West Virginia Legislature. Debt service expenditures for the year ended totaled \$28,190,821.00 and included interest costs of approximately \$14,375,821.00. Total debt service costs for each of the next five years and thereafter through August 31, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 5,760,653	\$ 15,747,596	\$ 21,508,249
2001	5,581,618	15,940,636	21,522,254
2002	5,888,892	15,632,983	21,521,875
2003	6,233,245	15,294,580	21,527,825
2004	6,590,501	14,935,149	21,525,650
Thereafter	<u>237,440,091</u>	<u>175,312,555</u>	<u>412,752,646</u>
	<u>\$267,495,000</u>	<u>\$252,863,499</u>	<u>\$520,358,499</u>

Note D - Intra-Account Transactions

The following intra-account transactions have been eliminated:

	<u>Year Ended June 30, 1999</u>	<u>1998</u>
Special Revenue	<u>\$121,200,956.04</u>	<u>\$21,544,044.45</u>

SUPPLEMENTAL INFORMATION

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Regional Jail Debt Service Fund</u>		
<u>- Fund 0536</u>		
Appropriations	\$0.00	\$ 0.00
Reappropriations:		
Fiscal Year 1995	0.00	3,803,352.60
Fiscal Year 1997	<u>0.00</u>	<u>10,000,000.00</u>
	0.00	13,803,352.60
Expenditures:		
Personal Services	0.00	50,760.30
Employee Benefits	0.00	20,375.63
Current Expenses	0.00	1,934,755.05
Equipment	0.00	34,152.07
Jail Construction and Renovations	<u>0.00</u>	<u>11,763,309.55</u>
	<u>0.00</u>	<u>13,803,352.60</u>
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
 <u>Personal Services - Fund 6675-001</u>		
Appropriations	\$600,263.00	\$454,213.00
Expenditures:		
Personal Services	564,043.28	412,221.88
Annual Increment	6,000.00	0.00
Employee Benefits	5,113.64	0.00
	<u>575,156.92</u>	<u>412,221.88</u>
	25,106.08	41,991.12
 Transmittals Paid After June 30	<u>(13,500.00)</u>	<u>0.00</u>
Balance	<u>\$ 11,606.08</u>	<u>\$ 1,991.12</u>
 <u>Annual Increment - Fund 6675-004</u>		
Appropriations	\$ 7,050.00	\$ 6,750.00
Expenditures	<u>0.00</u>	<u>6,250.00</u>
	7,050.00	500.00
 Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 7,050.00</u>	<u>\$ 500.00</u>

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
 <u>Employee Benefits - Fund 6675-010</u>		
Appropriations	\$ 196,614.00	\$ 153,250.00
Expenditures	172,434.70	125,100.75
	24,179.30	28,149.25
Transmittals Paid After June 30	0.00	(3,905.82)
Balance	\$ 24,179.30	\$ 24,243.43
 <u>Debt Service - Fund 6675-040</u>		
Appropriations	\$10,000,000.00	\$10,000,000.00
Expenditures	8,850,804.86	9,306,210.90
	1,149,195.14	693,789.10
Transmittals Paid After June 30	0.00	0.00
Balance	\$ 1,149,195.14	\$ 693,789.10

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Unclassified - Fund 6675-099</u>		
Appropriations	\$253,289.00	\$253,289.00
Expenditures:		
Employee Benefits	0.00	7,811.64
Current Expenses	197,902.27	194,197.12
Repairs and Alterations	2,043.93	1,581.50
Equipment	<u>22,272.36</u>	<u>34,601.33</u>
	<u>222,218.56</u>	<u>238,191.59</u>
	31,070.44	15,097.41
Transmittals Paid After June 30	<u>14,009.27</u>	<u>32,774.73</u>
Balance	<u>\$ 45,079.71</u>	<u>\$ 47,872.14</u>

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Fund 6675</u>		
Beginning Balance:		
State Treasury	\$ 49,920.39	\$ 32,713.90
Cash Receipts:		
Investment Earnings	352,049.08	339,109.65
Prior Year Expiring Funds	0.00	76.68
Court Fees and Filing Fees	<u>10,494,041.41</u>	<u>10,018,341.15</u>
	<u>10,846,090.49</u>	<u>10,357,527.48</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$10,896,010.88</u>	<u>\$10,390,241.38</u>
Expenditures:		
Personal Services	\$ 570,043.28	\$ 418,471.88
Employee Benefits	177,548.34	132,912.39
Current Expenses	197,902.27	194,197.12
Repairs and Alterations	2,043.93	1,581.50
Equipment	22,272.36	34,601.33
Debt Service	8,850,804.86	9,306,210.90
Transfers to Investment Management Board	<u>1,026,244.22</u>	<u>277,898.75</u>
	<u>10,846,859.26</u>	<u>10,365,873.87</u>
Add Transmittals Paid July 1 - 31		
Beginning and (Less) Transmittals Paid July 1 - 31 Ending:		
Personal Services	0.00	0.00
(Personal Services)	13,500.00	0.00
Current Expenses	12,003.69	7,221.85
(Current Expenses)	(13,295.73)	(12,003.69)
Repairs and Alterations	0.00	0.00
(Repairs and Alterations)	(15.00)	0.00
Equipment	20,771.04	0.00
(Equipment)	<u>(698.54)</u>	<u>(20,771.04)</u>
	<u>32,265.46</u>	<u>(25,552.88)</u>
	<u>10,879,124.72</u>	<u>10,340,320.99</u>
Ending Balance:		
State Treasury	<u>16,886.16</u>	<u>49,920.39</u>
TOTAL CASH ACCOUNTED FOR	<u>\$10,896,010.88</u>	<u>\$10,390,241.38</u>

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Regional Jail and Correctional Facility</u>		
<u>Development Fund - Fund 6676-099</u>		
Cash Receipts:		
Proceeds from Public Retirement System Loan	\$150,000,000.00	\$ 0.00
Proceeds from Bond Issuance	139,748,653.26	0.00
Supplemental Appropriation-SB 431	0.00	10,000,000.00
Loan From Investment Management Board	0.00	10,000,000.00
Interest Earnings	3,589,214.16	17,762.25
Miscellaneous Collections and Transfers	36,054.28	134,195.14
	293,373,921.70	20,151,957.39
Disbursements:		
Current Expenses	10,914,448.14	0.00
Equipment	56,845.25	0.00
Court of Claims Payment (Hinkle Electric)	100,000.00	0.00
Bond Issue Costs	1,925,633.99	0.00
Transfer to Cash Control Account - Fund 6678	0.00	217,039.84
Transfers to Jail Construction Funds	41,004,371.72	16,103,755.16
Transfer to Bond Trustee	137,487,469.69	0.00
Transfers to Investment Management Board	101,830,741.19	3,714,272.25
	293,319,509.98	20,035,067.25
Cash Receipts Over Disbursements	54,411.72	116,890.14
Beginning Balance	116,890.14	0.00
Ending Balance	\$ 171,301.86	\$ 116,890.14

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Cash Control Account Fund 6678-099</u>		
Cash Receipts:		
Regional Jail - Per Diem	\$21,369,344.86	\$20,530,132.22
Transfers from Investment Management Board	336,642.38	0.00
Interest Earnings	179,848.13	153,167.81
Transfer from Regional Jail and Correctional Facility Development Fund - Fund 6676	0.00	217,039.84
Transfers from Maintenance Fund - Fund 6691	0.00	<u>1,238.92</u>
	<u>21,885,835.37</u>	<u>20,901,578.79</u>
Disbursements:		
Transfers to Regional Jail Funds	22,081,766.51	18,374,000.00
Transfer to Maintenance Fund - Fund 6691	357,276.75	0.00
Transfers to Investment Management Board	<u>0.00</u>	<u>1,971,688.53</u>
	<u>22,439,043.26</u>	<u>20,345,688.53</u>
Cash Receipts (Under)/Over Disbursements	(553,207.89)	555,890.26
Beginning Balance	<u>841,112.40</u>	<u>285,222.14</u>
Ending Balance	<u>\$ 287,904.51</u>	<u>\$ 841,112.40</u>

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	Year Ended June 30,	
	1999	1998
<u>Kenhill Construction Co. Inc.-</u>		
<u>Court of Claims Fund 6687-099</u>		
Cash Receipts:		
Funds to Pay Court of Claims		
Judgement - SB 426	\$ 0.00	\$489,519.39
	0.00	489,519.39
Disbursements:		
Payment of Court of Claims Judgement	0.00	489,519.39
	0.00	489,519.39
	0.00	0.00
Beginning Balance	0.00	0.00
Ending Balance	\$ 0.00	\$ 0.00
 <u>Regional Jail Maintenance Fund</u>		
<u>Fund 6691-523</u>		
Cash Receipts:		
Interest Earnings	\$ 5,601.50	\$ 0.00
Transfer From Cash Control Account -		
Fund 6678	357,276.75	0.00
	362,878.25	0.00
Disbursements:		
Transfers to Investment Management		
Board	362,878.25	0.00
	362,878.25	0.00
	0.00	0.00
Beginning Balance	0.00	0.00
Ending Balance	\$ 0.00	\$ 0.00

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Investments-Account (130000000-07)</u>		
Receipts:		
Transfers from WVRJA - Fund 6676	\$137,085,458.79	\$3,122,275.00
Interest	<u>2,819,286.68</u>	<u>17,762.25</u>
	139,904,745.47	3,140,037.25
Disbursements:		
Transfer to WVRJA - Fund 6676	<u>29,874,004.28</u>	<u>3,225,765.00</u>
	29,874,004.28	3,225,765.00
Cash Receipts Over/(Under)		
Disbursements	110,030,741.19	(85,727.75)
Beginning Balance	<u>3,906.15</u>	<u>89,633.90</u>
Ending Balance	<u>\$110,034,647.34</u>	<u>\$ 3,906.15</u>
<u>Investments - Account (460000000-03)</u>		
Receipts:		
Transfers from WVRJA - Fund 6675	\$ 9,560,000.00	\$9,325,000.00
Interest	<u>352,049.08</u>	<u>339,109.65</u>
	9,912,049.08	9,664,109.65
Disbursements:		
Transfer to WVRJA - Fund 6675	<u>8,892,643.23</u>	<u>9,305,492.27</u>
	8,892,643.23	9,305,492.27
Cash Receipts Over Disbursements	1,019,405.85	358,617.38
Beginning Balance	<u>6,266,975.82</u>	<u>5,908,358.44</u>
Ending Balance	<u>\$ 7,286,381.67</u>	<u>\$6,266,975.82</u>

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Investments - Account (460000000-04)</u>		
Receipts:		
Interest	\$ 175.79	\$ 263.30
	175.79	263.30
Disbursements:		
Transfer to WVRJA - Fund 6678	5,144.17	0.00
	5,144.17	0.00
Cash Receipts (Under)/Over Disbursements	(4,968.38)	263.30
Beginning Balance	4,968.38	4,705.08
Ending Balance	\$ 0.00	\$4,968.38

NOTE: Account was closed out January 1999.

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	Year Ended June 30,	
	1999	1998
<u>Investments-Account (460000000-05)</u>		
Receipts:		
Transfers from WVRJA - Fund 6678	\$5,718,970.00	\$4,770,767.05
Interest	168,026.91	148,191.95
	5,886,996.91	4,918,959.00
Disbursements:		
Transfer to WVRJA - Fund 6678	5,495,701.52	3,170,503.16
	5,495,701.52	3,170,503.16
Cash Receipts Over Disbursements	391,295.39	1,748,455.84
Beginning Balance	3,509,994.55	1,761,538.71
Ending Balance	\$3,901,289.94	\$3,509,994.55

WEST VIRGINIA REGIONAL JAIL AND
CORRECTIONAL FACILITY AUTHORITY
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Investments - Account (460000000-06)</u>		
Receipts:		
Transfers from WVRJA - Fund 6678	\$122,640.00	\$ 1,238.92
Interest	<u>11,645.43</u>	<u>4,712.56</u>
	134,285.43	5,951.48
Disbursements:		
Transfer to WVRJA - Fund 6678	<u>357,276.75</u>	<u>0.00</u>
	<u>357,276.75</u>	<u>0.00</u>
Cash Receipts (Under) / Over Disbursements	(222,991.32)	5,951.48
Beginning Balance	<u>222,991.32</u>	<u>217,039.84</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$222,991.32</u>

NOTE: Account began in January 1998 and was closed January 1999.

<u>Investments - Account (460000000-07)</u>		
Receipts:		
Interest	\$ 5,601.50	\$ 0.00
	5,601.50	0.00
Disbursements	<u>0.00</u>	<u>0.00</u>
Cash Receipts Over Disbursements	5,601.50	0.00
Beginning Balance	<u>357,276.75</u>	<u>0.00</u>
Ending Balance	<u>\$362,878.25</u>	<u>\$ 0.00</u>

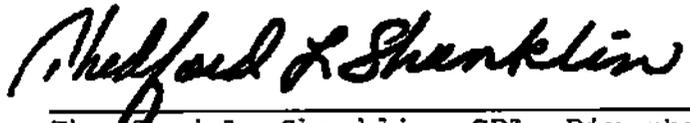
NOTE: Account opened in February 1999.

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Theford L. Shanklin, CPA, 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 10th day of July
2000.



Theford 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 West Virginia Regional Jail and Correctional Facility Authority; Governor; Attorney General; and, State Auditor.