

STATE OF WEST VIRGINIA

SPECIAL REPORT

OF

WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES

WEST VIRGINIA CHILDREN'S HOME

LOCAL BANK ACCOUNT AND RESIDENT TRUST FUNDS

FOR THE PERIOD

JULY 1, 2003 - JUNE 30, 2006



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES

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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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CHARLESTON, WEST VIRGINIA 25305-610

The Joint Committee on Government and Finance:

The objective of this special report was to understand and evaluate the West Virginia Children's Home's (the Home) internal controls, procedures and practices over the collection, deposit, disbursement of moneys, and the recording of financial transactions related to the Home's Local Bank Account and the Home's Resident Trustee Accounts. An addition objective was to determine if these internal controls, procedures and practices were consistent with the directives conveyed in the West Virginia Code, legislatively approved rules and regulations, as well as, other rules, regulations, policies and procedures.

In order to achieve the objectives noted above, we performed the following on the Local Bank Account and the Resident Trustee Accounts:

- a. Reviewed applicable sections of the West Virginia Code, Legislative Rules, as well as, other rules regulations, policies and procedures as they pertain to the collection and deposit of the Home's local operating funds and the Home's resident trustee moneys.
- b. Conducted interviews with the Home's employees to determine how revenues and disbursements were processed.
- c. Documented revenue processing procedures and asked the appropriate agency personnel to review these written procedures and to make any needed corrections in an effort to ensure their accuracy.
- d. Evaluated the adequacy of the Home's revenue and disbursement procedures by determining, among other things, if there were adequate separation of duties related to the cash receipts, disbursements and bookkeeping functions, if employees had the ability of employees to override the system of internal controls, and if management reports related to receipts and disbursements were generated and, if so, how were the reports used by management.

- e. Conducted tests of receipts and disbursements and compared our results to the Home's accounting records in order to determine the accuracy of these records.

Our examination covers the period July 1, 2003 through June 30, 2006. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,



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

SLS/cds

November 29, 2006

Auditors: Michael E. Sizemore, CPA, Audit Manager
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Stacy L. Sneed, CPA, Auditor-in-Charge
Amy M. Thorne
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WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES

WEST VIRGINIA CHILDREN'S HOME

SPECIAL REPORT ON THE

LOCAL BANK ACCOUNT AND RESIDENT TRUST FUNDS

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WEST VIRGINIA CHILDREN'S HOME
SPECIAL REPORT ON THE
LOCAL BANK ACCOUNT AND RESIDENT TRUST FUND
EXIT CONFERENCE

We held an exit conference on September 28, 2007 with the Director of the West Virginia Children's Home and other representatives of the Department of Health and Human Resources and all findings and recommendations were reviewed and discussed. The spending unit's responses are included in bold and italics in the Executive Summary and after our findings in the General Remarks section of this report.

WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES

WEST VIRGINIA CHILDREN'S HOME

SPECIAL REPORT ON THE

LOCAL BANK ACCOUNT AND RESIDENT TRUST FUND

INTRODUCTION

Located in Randolph County, the West Virginia Children's Home (the Home) was established by an Act of the Legislature (§ 26-1-1) in 1917. Effective July 1, 1977, jurisdiction of and title to the West Virginia Children's Home transferred to the Department of Health and Human Resources (§ 25-1-3). Currently, the Home is under the supervision of a division of the department of Health and Human Resources (DHHR) called the Bureau for Children and Families.

Originally an orphanage for neglected children, the Home provides residential social services to youth between the ages of 11 and 17 years from the 55 counties in West Virginia for short-term diagnostic evaluation and treatment. Residents are received by both voluntary and court-ordered placements. The Home provides comprehensive educational, recreational and cultural enrichment programs together with its regiment of diagnostic services and community involvement. The staff at the Home has developed a direct ongoing relationship with youths' area social service staff to assure they are receiving the most appropriate social services while in residence at the Home and upon their return to the community.

The Home is a licensed, self-contained, non-secure residential facility, operated by the West Virginia Department of Health and Human Resources. The Home is licensed for 25 youth, and has private rooms, semi-private rooms, dormitories, and a Pre-Independent house. This facility is generally governed by Chapter 49 (Child Welfare) of the West Virginia Code.

WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES

WEST VIRGINIA CHILDREN'S HOME

SPECIAL REPORT ON THE

LOCAL BANK ACCOUNT AND RESIDENT TRUST FUND

ADMINISTRATIVE OFFICERS AND STAFF

JUNE 30, 2006

Administration

Carson Markley.....Director/Health and Human Resources Program Manager I
Wanda Siler.....Social Services Supervisor/Assistant Director
Janet S. Rowe..... Office Assistant II
Wilma Burdette.....Secretary I

WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES

WEST VIRGINIA CHILDREN'S HOME

SPECIAL REPORT ON

LOCAL BANK ACCOUNT AND RESIDENT TRUST FUND

EXECUTIVE SUMMARY

Lack of Effective System of Internal Control

1. During the course of our work for this report, it became apparent to us, based on the observed noncompliance with the West Virginia Code, the Home did not have an effective system of internal controls in place to ensure compliance with 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.

Auditors' Recommendation

We recommend the Home comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and establish an effective system of internal controls in order to allow management to identify and correct areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

Agency's Response

We concur with the finding and recommendation (See Pages 9-11)

Maintenance of Resident Trustee Funds

2. State statute requires that funds held in trust for residents be maintained in a bank account; however, during the period covered by this report the Home kept all trustee

funds as cash in a locked “cashbox.” Although amounts may vary, on July 12, 2006, our cash count revealed there was \$233.10 held in trust for residents of the home

Auditors' Recommendation

We recommend the Home comply with Chapter 5, Article 25, Section 1 of the West Virginia Code, as amended. We further recommend the Home deposit resident trust moneys into a federally insured account designated as "resident trustee account" and submit monthly reports to the administrative staff of the Bureau of Children and Families and the Legislative Auditor.

Agency's Response

We concur with the finding and recommendation (See pages 11-13)

Management Oversight

3. Based on the results of our testing and our review of the accounting records and procedures of the Home's local account and trustee funds, we have been unable to obtain reasonable assurance that all moneys receipted have been properly recorded and deposited to the credit of either the local account or the trustee accounts. We also were unable to obtain reasonable assurance that moneys disbursed from the local account and the trustee accounts have been properly recorded in the accounting records and that disbursements have benefitted either the Home or its residents. As of June 30, 2006, the local account had a balance of \$23,519.52.

Auditor's Recommendation

We recommend the Home comply with Chapter 5A, Article 8, Section 9(b) and Chapter 5, Article 25, Section 1 of the West Virginia Code, as amended. We further

recommend that the Home establish an effective management oversight procedure over the accounting functions of the trustee accounts and local bank account.

Agency's Response

We concur with the finding and recommendation (See pages 13-17)

Resident Allowances

4. Out of the 156 weeks during our test period where resident allowances were paid, we selected 12 weeks for testing. Five of these weeks, or 42%, contained calculation errors that resulted in multiple residents being either overpaid or underpaid in each of these five weeks. The total net overpayment was \$156.55. Also, we noted an additional 26 overpayments made to residents totaling \$54.75 and 17 underpayments made to residents totaling \$25.85. Lastly, we noted ten instances where resident awards totaling \$100.00 were not recorded on the resident cashbox ledgers

Auditor's Recommendation

We recommend the Home comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. We also recommend the Home establish a procedure for verifying and recording in the Home's accounting records amounts paid to residents for allowances.

Agency's Response

We concur with the finding and recommendation (See pages 17-19)

Late Deposits - Local Bank Account

5. As part of our test of the Home's local bank account, we performed procedures to determine if moneys were deposited within 24 hours as required by statute. In determining the number of days receipts were held before they were deposited, we

eliminated weekends and State holidays so as to include in our calculation only customary State business days. During our three-year test period for this report, the Home deposited \$137,819.73 into the local account. For our test of local bank account deposits, we randomly selected 25 deposits totaling \$22,221.30 made to the credit of local account and determined that eight, or 32% of these deposits totaling \$3,085.54, were not deposited until an average of ten State business days after receipt.

Auditor's Recommendation

We recommend the Home comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, and deposit receipts within 24 hours of receipt.

Agency's Response

We concur with the finding and recommendation (See pages 19 & 20)

Resident Boarding Costs

6. During our three-year test period, the Home received 36 receipts totaling \$62,432.03 from the DHHR for boarding care costs. We selected 15 of these boarding care receipts totaling \$20,558.52 for our receipts test and determined that six, or 40% of our test sample, had been incorrectly calculated. In five instances the miscalculation resulted in overpayments totaling \$96.36 and in one instance the miscalculation resulted in an underpayment of \$114.99.

Auditor's Recommendation

We recommend the Home comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code and establish an oversight procedure that ensures the Home is receiving the correct amount for boarding care funding from DHHR.

Agency's Response

We concur with the finding and recommendation (See pages 20-22)

WEST VIRGINIA CHILDREN'S HOME

SPECIAL REPORT

LOCAL BANK ACCOUNT AND RESIDENT TRUST FUNDS

GENERAL REMARKS

INTRODUCTION

We have completed a special report of the West Virginia Children's Home Local Bank Account and the Resident Trust Funds. The examination covers the period July 1, 2003 through June 30, 2006.

LOCAL BANK ACCOUNT

The Children's Home (Home) uses a local bank account (special account) for managing funds required on a day-to-day basis. This account is held at Citizens National Bank in Elkins, West Virginia and is described as follows:

Citizen's Local Bank Account - (Special Account)

The Home uses a local bank account as the Home's imprest fund. The funding for the Special Account consists primarily of monthly receipts from the West Virginia Department of Health and Human Resources (DHHR), moneys granted from the Charles Cutts' Charitable Trust, and moneys paid by the Home's employees for "Life Skills" work performed by the residents. The local account provides the Home with readily available moneys to pay for resident recreational activities and to provide funds needed for resident allowances. This account is located at the Citizen's National Bank in Elkins, West Virginia.

TRUST ACCOUNTS

The Home holds moneys in trust for residents of the home. These trust moneys are generally in the form of cash and are maintained in a “cashbox” described below:

Trust Fund Cashbox

Resident moneys held in trust are kept by the Home in a locked “cashbox.” Handwritten ledgers are kept with the cash to track individual resident transactions. One employee of the Home has exclusive access to the cashbox. This employee also is responsible for recording all trustee transactions in the cashbox ledgers.

COMPLIANCE MATTERS

We tested applicable sections of the West Virginia Code, and the spending unit’s legislatively approved rules and regulations, as well as other rules, regulations, policies, and procedures as they pertain to fiscal matters. Our findings are discussed below.

LACK OF EFFECTIVE SYSTEM OF INTERNAL CONTROL

During the course of our field work for this special report, it became apparent to us, based on the observed noncompliance with the West Virginia Code and other rules and regulations, the Home did not have an effective system of internal controls in place over its local bank account and the resident trust funds to ensure compliance with applicable State laws, rules and regulations.

Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, 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 spending unit head to have in place an effective system of internal controls in the form of policies and procedures designed to ensure the spending unit operates in compliance with the laws, rules and regulations which govern it.

While conducting our work for this report, we found the following violations of State laws or other rules and regulations: **(1)** State statute requires that funds held in trust for residents be maintained in a bank account; however, during the period covered by this report the Home kept all trustee funds as cash in a locked "cashbox." Although amounts may vary, on July 12, 2006, our cash count revealed there was \$233.10 held in trust for residents of the home; **(2)** Based on the results of our testing and our review of the accounting records and procedures of the Home's local account and trustee funds, we have been unable to obtain reasonable assurance that all moneys receipted have been properly recorded and deposited to the credit of either the local account or the trustee accounts. We also were unable to obtain reasonable assurance that moneys disbursed from the local account and the trustee accounts have been properly recorded in the accounting records and that disbursements have benefitted either the Home or its residents. As of June 30, 2006, the local account had a balance of \$23,519.52; **(3)** We selected 12 weeks of resident allowances for testing and determined that five of these weeks, or approximately 42%, contained calculation errors that resulted in multiple residents being either overpaid or underpaid in each of these five weeks. The total net overpayment was \$156.55. Also, we noted an additional 26 overpayments made to residents totaling \$54.75 and 17 underpayments made to residents totaling \$25.85. Lastly, we noted ten instances where resident awards totaling \$100.00 were not recorded on the resident cashbox ledgers; **(4)** We randomly selected 25 deposits totaling \$22,221.30 made to the credit of the local account and determined that eight, or 32% of these deposits totaling \$3,085.54, were not deposited until an average of ten State business days after

receipt; and (5) We selected 15 DHHR monthly boarding cost receipts totaling \$20,558.52 for our receipts test and determined that six, or 40%, of these receipts, had been incorrectly calculated.

We recommend the Home comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, and establish an effective system of internal controls over the local account and the resident trust fund accounts in order to allow management to identify and correct areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

Spending Unit's Response

We concur with the finding and recommendation; and will take necessary measures with the West Virginia Children's Home to comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and establish an effective system of internal controls over the local account and the resident trust fund accounts in order to allow management to identify and correct areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

MAINTENANCE OF RESIDENT TRUSTEE FUNDS

Chapter 5, Article 25, Section 1 of the West Virginia Code, as amended, which states, in part:

“All state institutions...shall establish resident trustee accounts for all persons resident at the institution who request such accounts or who are unable to manage their own funds....

The administrator shall credit such money and valuables to the resident entitled thereto and shall keep an accurate record of all moneys and valuables received or disbursed . . . The administrator shall deposit such fiduciary funds received into federally insured account approved by the director of the department except for those funds required to be kept locally. The local funds shall be deposited in one or more responsible banks. The accounts shall be designated 'resident trustee account' ...” (Emphasis added)

The statute quoted above requires that funds held in trust for residents be maintained in a bank account. Nevertheless, while conducting our field work for this report, we became aware that resident trustee funds are held as cash in a "cashbox." This cashbox is kept locked in the Children's Home office. On July 12, 2006, our cash count revealed there was a combined total of \$233.10 held in trust. According to Children's Home records, these moneys were credited to 12 different residents of the Home.

Anytime moneys are maintained in-house, as opposed to a bank or other depository, the possibility for misuse or cleft of the moneys is increased. This possibility is further increased when funds are maintained as cash. Finally, since trustee moneys are not deposited into an interest bearing bank account, residents are denied any interest earnings their funds may earn while held in trust. Employees of the Children's Home told us they were unaware that trust moneys are required by statute to be deposited into a bank account. We also were told that administrative staff for the Bureau for Children and Families has not been made aware of the existence of the resident trustee account in-house cashbox.

The same section of the West Virginia Code cited above also states in part:

"...The administrator of the institution **shall submit a monthly report to the head of the department** controlling the institution. This report shall provide a reconciliation of each resident trustee account or other fiduciary account maintained by the institution.

The director of any department who receives these monthly reports **shall submit each month to the legislative auditor a record of the reconciliations** for each institution." (Emphasis added)

The Director of the Home does not submit a monthly reports to the Bureau for Children and Families, nor does the Bureau submit these reports to the Legislative Auditor, as required, by the statute quoted above. Therefore, Bureau administrators and the Legislative

Auditor would likely be unaware of any problems or issues existing with the trustee accounts, that otherwise may be uncovered, if such reports were prepared and submitted. The Director told us that he was unaware that monthly reports are required.

We recommend the Home comply with Chapter 5, Article 25, Section 1 of the West Virginia Code, as amended. We further recommend the Home deposit resident trust moneys into a federally insured account designated as "resident trustee account" in accordance with State statute and submit monthly reports to the administrative staff of the Bureau of Children and Families and the Legislative Auditor.

Spending Unit's Response

We concur with the finding and recommendation; and will take necessary measures with the West Virginia Children's Home to comply with Chapter 5, Article 25, Section 1 of the West Virginia Codes, as amended. Furthermore, we concur with the recommendation for the West Virginia Children's Home to deposit resident trust moneys into a federally insured account designated as "resident trustee account" in accordance with State statute and submit monthly reports to the administrative staff of the Bureau of Children and Families and the Legislative Auditor.

MANAGEMENT OVERSIGHT

Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, 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."**(Emphasis added)**

While documenting the procedures on the Home's local bank account, we became aware that one person was responsible for receipting and depositing moneys, posting the accounting records, and reconciling the accounting records to the bank statement. In addition, another employee of the home is responsible for receipting and depositing moneys and posting the accounting records for resident trustee funds. Although incompatible duties are sometimes unavoidable at small agencies such as the Home, good internal control practice dictates that extensive management oversight be exercised to off set the lack of segregated duties. Since our field work for this report uncovered numerous errors and omissions in the accounting records and related documents of both the local bank account and the trustee accounts, it became apparent that necessary management oversight and management review of accounting records were either nonexistent or inadequate.

Therefore, based on our review of the accounting procedures and our tests of the accounting records, we have been unable to obtain reasonable assurance that all moneys receipted have been properly recorded and deposited to the credit of either the local account or the trustee account, and that moneys disbursed from the local account and the trustee accounts have been properly recorded in the accounting records and have benefitted either the Home or its residents. Further details of our findings are presented below:

Resident Trustee Fund Ledger Errors

Chapter 5, Article 25, Section 1 of the West Virginia Code, as amended, states, in part:

“All state institutions ... shall establish resident trustee accounts for all persons resident at the institution who request such accounts or who are unable to manage their own funds....

The administrator shall credit such money and valuables to the resident entitled thereto and **shall keep an accurate record of all moneys and valuables received or disbursed...** (Emphasis added)

The statute quoted above requires that the Home "... keep an accurate record of all moneys and valuables received or disbursed..." from the trustee account. However, as stated earlier, we became aware of numerous errors and omissions in the agency's trust fund ledgers while testing the trustee accounts .

Although trustee balances may vary somewhat throughout the year, as of July 12, 2006, our cash count revealed that \$233.10 was being held in trust for 12 residents. The Home maintained handwritten ledger sheets to account for each resident's specific trustee transactions. Each ledger was used to detail the amount and date funds were deposited into the cashbox, the amount and date moneys were withdrawn from the cashbox, and to provide a running balance for each resident. According to agency employees, each time an entry was made to a resident's particular ledger, the employee had the resident approve the entry by recording his or her initials beside the ledger entry.

Errors noted in the trustee accounting records are as follows:

- The Home's staff failed to document resident approval for 22 disbursements totaling \$187.65 by obtaining the resident's initials adjacent each accounting entry.
- The Home's staff failed to document approval for 29 receipts totaling \$179.10 by obtaining the resident's initials adjacent each accounting entry.
- We noted three instances where residents' account balances were understated by a combined total of \$12.70.
- We noted four instances where residents were permitted to withdrawal a total of \$7.15 in excess of their account balances.

- The Home failed to record the transaction date on six recorded disbursements totaling \$64.26.

Since 22 trustee account debits were not approved by the resident via their signatures on the ledgers, we were unable to determine if the resident received the cash disbursement; therefore, we were unable to rule out the possibility of theft of trustee moneys. Additionally, if recording errors or omissions lead to understatements of employee accounts, residents are denied the use of moneys that are owed to them. Conversely, overstated balances may result in some residents either receiving moneys to which they are not entitled and, at the same time, possibly denying other residents their legitimate trust moneys if trustee account balances happen to run low.

Local Account (Special Account) Accounting Errors

As of June 30, 2006, the Home's local account had a balance of \$23,519.52. Based on the local account ledger records, the local account had recorded revenues and disbursements during our three-year test period as follows:

<u>Fiscal Year</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Totals</u>
Revenues	\$27,468.28	\$25,199.91	\$85,151.54	\$137,819.73
Disbursements	<u>25,405.91</u>	<u>85,935.43</u>	<u>22,336.58</u>	<u>133,677.92</u>
Revenues Over/(Under) Disbursements	<u>\$ 2,062.37</u>	<u>(\$60,735.52)</u>	<u>\$62,814.96</u>	<u>\$ 4,141.81</u>

Considering a significant amount of the Home's funding is deposited and disbursed from the local account, we believe a great deal of importance should be placed on having good internal controls in place for recording transactions and processing deposits and disbursements. However, as was the case with the trustee accounting records, the accounting records of the local account contained numerous errors, omissions and inconsistencies as detailed below:

- During our testing of cash disbursements from the local account we noted five instances in which the amounts on the *Weekly Allowance and Special Activity Report* exceeded the requisition form (DF-38) and the check by a combined total of \$67.00. No explanations for the differences were noted.
- One receipt was posted into the local account subsidiary ledger with an incorrect receipt number.
- The Home did not obtain the signature of residents on the Home's *Weekly Allowance and Special Activity Report* certifying that 16 resident allowances totaling \$173.44 paid from the local account were correct and properly credited to the residents' trustee accounts.
- During our review of the local account cash disbursements, we noted one instance where a check had only one of the two required signatures.

We recommend the Home comply with Chapter 5A, Article 8, Section 9(b) and Chapter 5, Article 25, Section 1 of the West Virginia Code, as amended. We further recommend that the Home establish an effective management oversight procedure over the accounting functions of the trustee accounts and local bank account.

Spending Unit's Response

We concur with the finding and recommendation; and will take necessary measures with the West Virginia Children's Home to comply with Chapter 5A, Article 8, Section 9(b) and Chapter 5, Article 25, Section 1 of the West Virginia Code, as amended. Furthermore, we concur with the recommendation for the Home to establish an effective management oversight procedure over the accounting functions of the trustee accounts and local bank account.

RESIDENT ALLOWANCES

Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, states: "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.”

Each resident of the Home receives a weekly allowance based upon duties assigned to and performed by them. The amount of the weekly allowance paid to each resident is dependent on the specific duties performed. Weekly Job Sheets completed by the Home’s staff document the performance of assigned duties. Allowances are paid at the conclusion of each week to the residents from the Home’s local bank account.

Out of the 156 weeks during our test period where resident allowances were paid, we selected 12 weeks for testing. Five of these weeks, or 42%, contained calculation errors that resulted in multiple residents being either overpaid or underpaid in each of these five weeks. However, we could not determine the reason for the differences since the Home's staff told us that allowance calculations were made some time ago and, as a result, they could not recall the method used in calculating the allowances. The total net overpayment for the five weeks was \$156.55, as shown in the schedule below:

<u>Check Number</u>	<u>Check Date</u>	<u>Amount Paid</u>	<u>Amount Due</u>	<u>Net Overpayment</u>	<u>Percent Difference</u>
5589	10/07/03	\$187.65	\$135.95	\$51.70	27.55%
5663	04/08/04	171.15	137.80	33.35	19.49%
5866	07/15/05	163.15	132.50	30.65	18.79%
5899	10/21/05	163.6	141.45	22.15	13.54%
5925	12/09/05	<u>185.25</u>	<u>166.55</u>	<u>18.70</u>	10.09%
Totals:		<u>\$870.80</u>	<u>\$714.25</u>	<u>\$156.55</u>	17.98%

We also tested individual resident trust fund receipts deposited into the cashbox. During this test we noted an additional 43 differences between our recalculated allowances due residents and actual amounts paid and deposited into the cashbox to the credit of the residents. Of this amount, 26 were overpayments totaling \$54.75 and 17 were underpayments totaling \$25.85.

Lastly, each week the Home awards \$10.00 each to residents selected as “student of the week” and “resident of the week.” According to agency staff, these awards are paid from the local bank account and are deposited in the form of cash in the cashbox until such time the resident withdraws the moneys. However, we noted ten instances where awards totaling \$100.00 were not recorded on the resident cashbox ledger. As a result, we were unable to verify if the amount paid for the awards from the local account were deposited to the credit of the resident in the cashbox trust account.

We recommend the Home comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code. We also recommend the Home establish a procedure for verifying and recording in the Home’s accounting records amounts paid to residents for allowances.

Spending Unit’s Response

We concur with the finding and recommendation; and will take necessary measures to comply with the West Virginia Children’s Home comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. Furthermore, we concur with the recommendation for the Home to establish a procedure for verifying and recording in the Home’s accounting records amounts paid to residents for allowances.

LATE DEPOSITS - LOCAL BANK ACCOUNT

Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, states in part:

“...(a) All officials and employees of the state authorized by statute to accept moneys due the state of West Virginia shall keep a daily itemized record of moneys so received for deposit in the state treasury and **shall deposit within twenty-four hours** with the state treasurer all moneys received or collected by them for or on behalf of the state for any purpose whatsoever . . . ” **(Emphasis added)**

As part of our test of the Home's local bank account, we performed procedures to determine if moneys were deposited within 24 hours as required by the above statute. In determining the number of days receipts were held before they were deposited, we eliminated weekends and State holidays so as to include in our calculation only customary State business days. During our three-year test period for this report, the Home deposited \$137,819.73 into the local account. For our test of local bank account deposits, we randomly selected 25 deposits totaling \$22,221.30 made to the credit of local account and determined that eight, or 32% of these deposits totaling \$3,085.54, were not deposited until an average of approximately ten State business days after receipt. In addition, due to the failure of the Home to record the receipt date for one check in our sample totaling \$550.00, we were unable to determine how long the check was held before it was deposited into the local bank account.

According to agency personnel, the Home does not deposit all life skills payments, which are always \$2.00 each, within 24 hours of receipt so several of these receipts may be combined and deposited at one time. Additionally, agency personnel told us that a clerical error was the reason a payment for \$1,477.60 was deposited 14 business day after its receipt. The Home personnel did not have an explanation for the remaining two receipts for \$1,297.94 and \$300.00 deposited two and three business days after receipt, respectively. Good internal control practice dictates that receipts should be deposited as soon as practical in order to minimize the possibility of loss or theft.

We recommend the Home comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, and deposit receipts within 24 hours of receipt.

Spending Unit's Response

We concur with the finding and recommendation; and will take necessary

measures with the West Virginia Children's Home to comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

RESIDENT BOARDING COSTS

Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, states:

“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.”

The Department of Health and Human Resources (the DHHR) provides funding each month to help the Home cover the boarding care costs of eligible residents. According to the staff of the Home, the amount paid by DHHR is dependent on the number of non-medicaid eligible residents of the Home for the preceding month based on a “monthly population report” provided by the Home to DHHR. During the period covered by this report, the monthly boarding cost calculation was \$60.00 for each full time resident. Amounts were prorated at \$1.97 per day for each eligible resident that was either admitted or discharged during the month. Upon receipt, the DHHR boarding checks are deposited into the Home’s local bank account (special account).

During our three-year test period, the Home received 36 receipts totaling \$62,432.03 from the DHHR for boarding care costs. We selected 15 of these boarding care receipts totaling \$20,558.52 for our receipts test and determined that six, or 40% of our test sample, had been incorrectly calculated. In five instances the miscalculation resulted in overpayments totaling \$96.36 and in one instance the miscalculation resulted in an underpayment of \$114.99. Some of the incorrect payments were due to the DHHR sending amounts that did not agree with the resident population reported by the Home on Monthly Population Reports. Still, other

payment errors were the result of mistakes made by the Home's staff in reporting the resident population to DHHR on Monthly Population Reports.

Regardless for the reason for the boarding fee errors, we believe the Home should establish a procedure for verifying that monthly population reports are correct and, if so, that the amount of boarding moneys paid by DHHR agrees with the report. Failure to confirm these amounts will likely lead to additional underpayments and overpayments in the future, resulting in either the Home operating on less funds to which it is entitled, or receiving more funds and, in effect, depriving the DHHR of moneys that could have been used for other purposes.

Also, the Home is directed to use boarding care moneys received from the DHHR for the basic needs of residents including, but not limited to clothing, haircuts and toiletries. According to the agency, all boarding care moneys spent should be documented in the Home's local bank account records. Nevertheless, the agency failed to document the disbursement information in the sufficient detail necessary for us verify that 18 boarding care disbursements totaling \$1,824.48 benefitted the Home's residents.

We recommend the Home comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code and establish an oversight procedure that ensures the Home is receiving the correct amount for boarding care funding from DHHR.

Spending Unit's Response

We concur with the finding and recommendation; and will take necessary measures with the West Virginia Children's Home to comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and establish an oversight procedure that ensures the Home is receiving the correct amount for boarding care funding from DHHR.

SUPPLEMENTAL INFORMATION

WEST VIRGINIA BUREAU FOR CHILDREN AND FAMILIES

WEST VIRGINIA CHILDREN'S HOME

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

SPECIAL ACCOUNT - LOCAL

	<u>Year Ended June 30,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Beginning Balance:			
Citizens National Bank, Elkins	\$21,457.15	\$ 79,192.67	\$ 16,377.71
Cash Receipts:			
Receipts from DHHR	21,402.36	20,788.91	20,240.76
Life Skills	10.00	20.00	28.00
Donations	1,405.00	550.00	1,000.00
Cutt's Charitable Trust	3,771.00	3,631.00	63,685.00
Refunds	<u>879.92</u>	<u>210.00</u>	<u>197.78</u>
	<u>27,468.28</u>	<u>25,199.91</u>	<u>5,151.54</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$48,925.43</u>	<u>\$104,392.58</u>	<u>\$101,529.25</u>
Disbursements:			
Allowances	\$ 8,227.75	\$ 7,408.40	\$ 8,250.75
Recreational Activities	3,913.50	4,079.50	2,929.64
Hair Cuts	1,136.00	1,188.75	1,154.00
Clothing	4,046.84	5,163.68	4,295.85
Meals	728.11	774.61	1,472.20
Misc. Items Benefitting Residents	5,962.75	1,405.71	2,010.32
Building Repair	0.00	60,000.00	0.00
Health Permits - Food Handlers'	60.00	95.00	107.50
Educational Expenses	962.96	1,192.63	998.42
Check Order	80.50	0.00	0.00
Dept. of Motor Vehicles	0.00	0.00	25.00
Pictures/Photos	247.50	128.88	342.90
Randolph Co. Circuit Clerk's Office	0.00	36.00	0.00
Reimbursements	<u>40.00</u>	<u>1,462.27</u>	<u>750.00</u>
	25,405.91	82,935.43	22,336.58
Ending Balance:			
Citizens National Bank, Elkins	<u>23,519.52</u>	<u>21,457.15</u>	<u>79,192.67</u>
TOTAL CASH ACCOUNTED FOR	<u>\$48,925.43</u>	<u>\$104,392.58</u>	<u>\$101,529.25</u>

WEST VIRGINIA CHILDREN'S HOME

RECONCILIATION

JUNE 30, 2006

Local Bank Account

Balance per Bank		\$25,627.61
Add: Deposits-in-Transit		0.00
Less:		
Outstanding Checks		<u>2,108.09</u>
Check No.	6007	
Balance per Book		<u>\$23,519.52</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, Acting 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 8th day of October 2007.


Stacy L. Sneed, CPA, Acting 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 Division of Finance: Governor; Attorney General; State Auditor; and, Director of Finance Division, Department of Administration.