

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

***WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
OFFICE OF THE SECRETARY***

FOR THE PERIOD

JULY 1, 1996 - JUNE 30, 1999



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

FOR THE PERIOD

JULY 1, 1996 - JUNE 30, 1999

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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CHARLESTON, WEST VIRGINIA 25305-0610

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the Office of the Secretary of the West Virginia Department of Administration.

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

Respectfully submitted,

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

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

TLS/jdb/gkc

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

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WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

EXIT CONFERENCE

We held an exit conference on January 4, 2001 with the Secretary of the West Virginia Department of Administration and other representatives of the Secretary's Office. All findings were reviewed and discussed. The Secretary's responses are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our findings in the General Remarks sections of this report.

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

INTRODUCTION

The Office of the Secretary of the West Virginia Department of Administration was created under Chapter 3, Acts of the Legislature, First Extraordinary Session, 1989, as one of seven departments in the Executive Branch of State Government. The Secretary of Administration serves as the Chief Executive Officer of the Department and Director of the Budget. The Secretary is appointed by the Governor, with the advice and consent of the West Virginia State Senate.

The Department of Administration is responsible for implementing fiscal and administrative policies in the Executive Branch Agencies. The Secretary is to exercise general supervision of, and make rules and regulations for the governing of the Department of Administration. Also, the Secretary is to serve the Governor in the consideration of requests for appropriations and in the preparation of the Executive budget document.

In addition, the Secretary is also responsible for administering the budget, for making a continuous study of State expenditures and eligibility for federal matching dollars, and for making recommendations to the Governor for the more economical use of State funds. Also, the Secretary is to render assistance to

spending officers with respect to the fiscal affairs of spending units. The Secretary serves as the Executive Director of the State Building Commission, Chairman of the Council of Finance and Administration, and Administrator of the Records Management and Preservation Advisory Committee.

In addition, the Secretary also serves as a member on the following boards and commissions: the Consolidated Public Retirement Board, the Governor's Mansion Advisory Committee, the Regional Jail and Correctional Facility Authority, the Design-Build Board, and the Employee Suggestion Award Board.

The Secretary oversees all divisions within the Department of Administration. The divisions include a Finance Division, Purchasing Division, Insurance and Retirement Division, Information Services and Communication Division, Personnel Division, and General Services Division.

Finance Division

The Finance Division, consisting of an Accounting Section, Budget Section, and Financial Accounting and Reporting Section (FARS), is responsible for providing improved financial management of the resources of the State through implementation of improved financial and budgetary accounting information systems, and through the preparation of a Comprehensive Annual Financial Report (CAFR).

The Accounting Section is responsible for providing centralized accounting services for the Department of

Administration to ensure compliance with Generally Accepted Accounting Principles (GAAP), along with State and Federal rules and regulations.

The Budget Section is responsible for providing budgetary information and control to all branches of state government in order to assist in making accurate budget decisions and to assure compliance with department and government policies.

The Financial Accounting and Reporting Section (FARS) is responsible for establishing and maintaining the centralized accounting system required in accordance with Generally Accepted Accounting Principles (GAAP).

Purchasing Division

The Purchasing Division, consisting of an Acquisition and Contract Administration Section, an Administrative Services Section, and Operations Section, is responsible for providing purchasing, travel, printing, inventory, and records management services to all State agencies to assure ethical and cost-conscious expenditure of public funds, while providing quality, efficient, and effective service.

The Acquisition and Contract Administration Section is responsible for administering the formal competitive bid process for acquisition of all goods and services more than \$10,000.00 for State agencies in an efficient and ethical manner that will reduce cost, maximize competition, and promote good customer and vendor relations.

The Administrative Services Section is responsible for providing professional services and training to the Purchasing Division staff, agencies, and vendors. In addition, the Administrative Services Section is responsible for administering the Governor's Travel Regulations, the State's Purchasing Card, records management, inventory control, vendor registration and parking problems.

The Operations Section is responsible for providing a central source of printing and paper supplies for all State agencies. As of November 1999, the Operations Section was discontinued, and its responsibilities were transferred to Prison Industries.

Insurance and Retirement Division

The Insurance and Retirement Division, consisting of the Consolidated Public Retirement Board, the Public Employees Insurance Agency (PEIA), and the Board of Risk and Insurance Management is responsible for providing and administering the insurance and retirement systems of the state.

The Consolidated Public Retirement Board is responsible for effectively and efficiently administering the various State retirement systems for the benefit of members and retirees of the system.

The Public Employees Insurance Agency is responsible for administering health, life, and optional benefit programs to

eligible State employees, their dependents, retirees, and others eligible to participate in the plan.

The Board of Risk and Insurance Management is responsible for providing comprehensive risk management programs to qualifying participants assuring customer satisfaction by the ethical and cost-conscious expenditure of public funds.

Information Services and Communications Division

The Information Services and Communication Division (IS&C) is responsible for providing technical services and assistance to the various State spending units with respect to developing and improving data processing and telecommunications functions. Also, the division may provide training and direct data processing services to the various State agencies.

Personnel Division

The Personnel Division is responsible for providing personnel management, training, and development for State government agencies and employees in order to create an environment that engenders trust and confidence at all levels and promotes personal and professional growth.

General Services Division

The General Services Division is responsible for providing a positive, safe, secure, and comfortable environment for the visiting public and the State employees at all buildings owned and operated by the State of West Virginia and the State Building Commission.

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

ADMINISTRATIVE OFFICERS AND STAFF

June 30, 1999

Joseph F. Markus Cabinet Secretary
Dorothy V. Yeager Deputy Secretary
Jack Buckalew Assistant Secretary
John Poffenbarger General Counsel
Brian O. Casto Assistant General Counsel

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

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 Office of the Secretary 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.

Auditors' Recommendation

We recommend the Secretary's Office comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended and establish a system of internal controls.

Agency's Response

No response by the Secretary's Office. (See pages 16-18.)

Employee Overtime Pay

2. The Secretary's Office overpaid an employee approximately \$1,930.00 for overtime pay during the period September 25, 1997 through April 15, 2000.

Auditors' Recommendation

We recommend the Secretary's Office comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended.

Agency's Response

The Payroll Section will review this practice with the States Division of Personal to reaffirm its appropriateness. (See pages 18-22.)

Expenses of the Secretary's Office

3. The Secretary's Office paid expenses totaling \$318,760.23 which benefitted the Secretary's Office directly from appropriations made to the Department of Administration's Finance Division.

Auditors' Recommendation

We recommend the Secretary's Office comply with the provisions contained in the Annual Budget Bills and Chapter 12, Article 3, Section 12 of the West Virginia Code, as amended. Also, we recommend the Secretary's Office maintain time records for those employees whose salaries are allocated among various accounts. At the close of the fiscal year, the Secretary's Office should make any needed transfers to properly allocate the payroll expenditures among these accounts.

amended. Also, we recommend the Secretary's Office seek reimbursement of \$7,121.15 paid by the Secretary's Office on behalf of the Prosecuting Attorney's Institute and seek reimbursement of the \$200.00 overpayment from the vendor who was overpaid.

Agency's Response

We will comply with the audit recommendation. (See pages 30-32.)

Statewide Contracts

6. The Secretary's Office bought office supply items totaling \$1,867.09 from a vendor other than the vendor with the Statewide contract for office supplies and the Secretary's Office paid \$2,765.00 more for the services of certain Temporary Services' employees than the amount set in the contract with the vendor.

Auditors' Recommendation

We recommend the Secretary's Office comply with Section 6.1.1 of the Department of Administration's Agency Purchasing Manual and with the terms of the Temporary Services Contract.

Agency's Response

All purchases of the Secretary's Office must now be pre-approved by the Deputy Secretary. (See pages 33-36.)

Direct Purchase

7. The Secretary's Office purchased \$2,391.00 of office furniture in a direct purchase without providing the required written justification.

Auditors' Recommendation

We recommend the Secretary's Office comply with Section 6.4.2 of the Department of Administration's Agency Purchasing Manual.

Agency's Response

All purchases of the Secretary's Office must now be pre-approved by the Deputy Secretary. (See pages 36-37.)

Equipment Inventory

8. We were unable to locate a Gateway desktop computer valued at \$2,450.00 and some equipment items were not tagged.

Auditors' Recommendation

We recommend the Secretary's Office follow Sections 4.32 and 3.12 of the Department of Administration, Purchasing Division's Inventory Management and Surplus Property Disposition Policies and Guidelines.

Agency's Response

We will comply with the audit recommendation. (See pages 37-40.)

Failure to Report Taxable Income

9. The Department of Administration failed to report \$2,866.11 in lodging and meal expense reimbursements received by the Secretary of Administration during calendar years 1997, 1998 and 1999.

Auditors' Recommendation

We recommend the Secretary's Office comply with Chapter 11, Article 21, Sections 12 and 72 of the West Virginia Code, as amended.

Agency's Response

We will comply with the audit recommendation. (See pages 40-43.)

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the Office of the Secretary of the West Virginia Department of Administration. The audit covered the period July 1, 1996 through June 30, 1999.

GENERAL REVENUE ACCOUNTS

The Office of the Secretary of the Department of Administration was appropriated funds for the general operations of the Office in the following account during the period of examination:

<u>NUMBER</u>	<u>DESCRIPTION</u>
0186-099	Office of the Secretary General Administration Fund-Unclassified

The Office of the Secretary of the Department of Administration was appropriated funds for transfer to the Public Employees' Insurance Agency to offset increases in deductibles and co-payments proposed for all State employees. These funds were appropriated to the following account during the period of examination:

<u>NUMBER</u>	<u>DESCRIPTION</u>
0186-838	Office of the Secretary General Administration Fund - Public Employees' Insurance Match Transfer

The following general revenue accounts are used to transfer funds to and from the Revenue Shortfall Reserve Fund:

<u>NUMBER</u>	<u>DESCRIPTION</u>
0544-590.	Revenue Shortfall Reserve Fund Transfer
0564-529/553.	Cash Flow Transfer

SPECIAL REVENUE ACCOUNTS

The Office of the Secretary of the Department of Administration operated the following special revenue accounts during our test period:

<u>NUMBER</u>	<u>DESCRIPTION</u>
2025-099	Office of Emergency Planning Fund - Unclassified
2025-640	Office of Emergency Planning Fund - Cash control
2028-099	C & P Refunds - Unclassified
2028-640	C & P Refunds - Cash Control
2038-099	Revenue Shortfall Reserve Fund- Unclassified
2038-553	Revenue Shortfall Reserve Fund- Statutory Transfers
2040-096	Natural Gas Contract - DOA Office of the Secretary Refund Fund - Unclassified
2040-640	Natural Gas Contract - DOA Office of the Secretary Refund Fund - Cash Control

COMPLIANCE MATTERS

Chapter 5A, Articles 1 & 2 and Chapter 5F of the West Virginia Code generally govern the Office of the Secretary of the Department of Administration (Secretary's Office). We tested applicable sections of the above plus general State regulations and

other applicable chapters, articles, and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are listed below.

Lack of Effective System of Internal Controls

During the course of our post audit, it became apparent to us, based on the observed noncompliance with the West Virginia Code and other rules and regulations which governed the Office of the Secretary of Administration, the Office did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations.

Chapter 5A, Article 8, Section 9(b) 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 Office of the Secretary of Administration, we found the following violations of State laws or other rules and regulations:

The employee in question, who holds the title of "Executive Secretary", is responsible directly to the Secretary of Administration received a total of \$51,696.50 in overtime pay during this period. Our review of overtime records indicated this employee received approximately 90% of all overtime paid in the Secretary's Office during fiscal years 1999 and 1998 and worked far more overtime hours during those fiscal years than the employee who she directly supervised. Further analysis showed the employee worked a total of 1,872 hours of overtime during the period September 25, 1997 through April 15, 2000 with 766 hours of such overtime being on Saturdays and Sundays valued at \$19,948.31. We did note that all overtime hours worked were approved by the former Secretary of Administration.

We analyzed the overtime payments which the employee would have been entitled to under both provisions of the Federal Fair Labor Standards Act (FLSA) and applicable West Virginia laws under the assumption the employee should have received overtime pay. Based on this analysis, we calculated the employee should have received a total of approximately \$49,766.00 rather than the \$51,696.50 which was paid for overtime pay which means the employee was overpaid approximately \$1,930.00 for overtime even if the Secretary's Office were required to make these payments. Based on our work, the overpayments resulted from several factors, including, but not limited to the following: 1. The employee's

annual increment pay was included in assigning the hourly rate for "overtime paid at the straight-time" rate which could occur during workweeks where the employee took annual and/or sick leave or which contained a State holiday; and, 2. Other calculation errors made in determining overtime payments paid to the employee.

We learned the Department of Administration (DOA) does not have a specialized job description for the role of Executive Secretary, but instead uses the more generic job description for the position of "Executive Secretary" developed by the West Virginia Division of Personnel (WVDOP) in describing the work of individuals who are hired to provide administrative support assistance directly to any of the various Cabinet Secretaries created by Chapter 5F of the West Virginia Code. We asked about the nature of the job duties of the DOA's Executive Secretary and examined time records relating to the overtime payments.

A review of the Executive Secretary's time records showed much of the overtime was shown as being related to dealing with "overflow". Upon inquiring, we were told "overflow" meant routine job duties of the Executive Secretary which could not be performed during the regular workday and/or normal workweek.

Our discussions with the Executive Secretary and the Deputy Secretary of Administration revealed the DOA requested the WVDOP to conduct a review of the applicability of the Federal Fair

Labor Standard Act (FLSA) to the duties performed by DOA's Executive Secretary. The WVDOP job description for the position of Executive Secretary states in part,

"NATURE OF WORK: Performs highly responsible administrative support work in providing assistance to a department Secretary. Work involves independent responsibility for making limited policy interpretations in dealing with the public and acting with authority on office management and administrative functions in the absence of the Supervisor. Responsibilities include high level secretarial, clerical, office management and general administrative duties with primary emphasis on relieving the Supervisor of administrative details...."

The WVDOP interviewed the Executive Secretary on December 18, 1997 to determine whether her position should have been covered by the FLSA, and therefore, she should be paid overtime for hours worked in excess of forty (40) per work week. Subsequently, the Secretary of Administration received a memorandum dated January 6, 1998 from the Senior Assistant Director of the WVDOP's Employee Relations Section which stated the WVDOP had determined the job duties of DOA's Executive Secretary were covered by FLSA and the payment of overtime was appropriate.

We recommend the Secretary's Office comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended.

Agency's Response

The employee was paid in accordance with the practices of the Payroll Section, which includes increment pay in calculating the hourly rate for overtime for all employees. This practice is

supported by a notification dated August 26, 1985 from the Employment Standards Administration, Wage and Hour Division, of the United States Department of Labor as codified in the Division of Personnel's Administrative Rule. The Payroll Section will review this practice with the state's Division of Personnel to reaffirm its appropriateness.

Expenses of the Secretary's Office

We found the Secretary's Office did not follow the provisions of Chapter 5 of the Acts of the 1997 Legislature (Fiscal Year 1998 Budget Bill); Chapter 6 of the Acts of the 1998 Legislature (Fiscal Year 1999 Budget Bill); and Chapter 7 of the Acts of the 1999 Legislature (Fiscal Year 2000 Budget Bill) by using General Revenue Funds totaling \$318,760.23 appropriated for the Department of Administration's Division of Finance to pay expenses incurred by the Secretary's Office. We were unable to locate any authority in State law or State rules and regulations which would authorize the Secretary's Office to pay their expenses directly from appropriations made to other spending units. As a result of this practice, the Secretary's Office effectively increased its appropriations beyond the amounts authorized in the Annual Budget Bills for fiscal years 1998, 1999 and 2000.

In addition to monies expended from the Office of the Secretary's General Administration Fund(0186), the Office expended \$109,635.67 during fiscal year 1999 and \$92,356.48 during fiscal

year 1998 directly from the Department of Administration's Division of Finance Fund (0203), which benefitted the Secretary's Office. These expenditures represent approximately 25% of the total expenditures made for the support of the day-to-day operations of the Secretary's Office during these two fiscal years. As of May 11, 2000, the Secretary's Office has expended an additional \$116,768.08 during the ongoing fiscal year 2000 directly from the Division of Finance Fund, which benefitted the Secretary's Office. This amount represents approximately 33% of the total expenditures made for the support of the day-to-day operations of the Secretary's Office thus far in fiscal year 2000.

The Acts of the Legislature grants authority to the Secretary of Administration to transfer, within the Department of Administration, appropriations subject to certain limitations. This authority to transfer funds, which has been set forth in the Annual Budget Bills, has remained unchanged during the audit period. Title 1, Section 3 of the Annual Budget Bills for fiscal years 1998, 1999 and 2000, all stated in part:

" . . . Appropriations classified in any of the above categories shall be expended only for the purposes as defined above and only for the spending units herein designated: *Provided*, That the Secretary of each department shall have the authority to transfer within the department those general revenue funds appropriated to various agencies of the department: *Provided, however*, That no more than five percent of the general revenue funds appropriated to any one agency or board may be transferred to other agencies or boards within the department. . . ."

Since the Division of Finance Fund(0203) is used to pay a significant portion of the Secretary's Office day-to-day expenditures, the moneys expended from the Office of the Secretary's General Operating Fund(0186) were not indicative of the total cost of maintaining the Office. According to the Deputy Secretary of the Department of Administration, the Secretary's Office performs functions that benefit all divisions and sections of the Department of Administration. Therefore, it is the Secretary's belief that the Office of the Secretary is entitled to the financial support provided by other accounts within the Department of Administration. We believe the Secretary's Office would have been allowed to transfer up to 5% of the appropriations from the Division of Finance Fund to the Secretary's General Operating Fund to pay expenses; however, the payment of Secretary's Office expenses directly from the Division of Finance's appropriation means the Secretary's Office appropriations were effectively increased without legislative approval.

In addition, we learned ten percent of seven employees' salaries are paid from the Office of the Secretary's General Administration Fund (0186) while the remainders of their salaries are variously allocated to ten other Department of Administration general and special revenue accounts. Although the allocation amounts are incorporated into the Department of Administration's fund budgets, no time records are kept by the employees that

support the allocation amounts. As a result, it cannot be determined if the allocations are rationally based on the employees' duties as they relate to the intended purpose of each account. In addition, year-end amounts expired from general revenue accounts may be affected by the unsupported payroll allocations since all seven employees with allocated pay are paid both from general and special revenue accounts. As a result, the Department of Administration may have failed to expire the correct amount of appropriated general revenue moneys at the close of fiscal years 1999 and 1998. Also, the possibility exists for the State General Revenue Fund to be placed into the position of subsidizing activities which should be funded only by special revenue collections.

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

"Every appropriation which is payable out of the general revenue, or so much thereof as may remain undrawn at the end of the year for which made, shall be deemed to have expired at the end of the year for which it is made, and no warrant shall thereafter be issued upon it..."

We were told by the Deputy Secretary of Administration, payroll allocations are based on either the duties of each particular employee or the historical practices of the Office. However, to the best of her knowledge, no time analysis has been performed by the Department of Administration or the Secretary's Office that support the allocation amounts.

We recommend the Secretary's Office comply with the provisions contained in the Annual Budget Bills and Chapter 12, Article 3, Section 12 of the West Virginia Code, as amended. Also, we recommend the Secretary's Office maintain time records for those employees whose salaries are allocated among various accounts. At the close of the fiscal year, the Secretary's Office should make any needed transfers to properly allocate the payroll expenditures among these accounts.

Agency's Response

We agree that time records are an appropriate means of documenting the allocation of Secretary's Office personnel costs to the department's divisions and agencies, as was used in previous administrations to support this practice.

Employees Paid From the Wrong Funds

During fiscal years 1999 and 1998, two employees were paid approximately \$209,000.00 for salaries and related employee benefits from Department of Administration(DOA) funds while their services were rendered in the Governor's Office. As a result, the DOA received no direct benefit from these disbursements made from DOA funds.

One of the employees was hired by the DOA on June 24, 1997. According to the Deputy Secretary of Administration, the employee moved to the Governor's Office sometime during January 1998. We understand from this point until his employment was

terminated on May 12, 1999, the employee worked in the Governor's Northern Mobile Office. Even though the employee was no longer working for the DOA during this period, the employee remained on the DOA payrolls with 10% of his salary allocated to the Office of the Secretary's General Administration Fund (0186) and the remaining 90% allocated to the Division of Personnel Fund (2440) as shown in the following schedule:

<u>Employee</u>	<u>Pay and Related Employee Benefits Paid from Office of the Secretary's General Operating Fund (0186)</u>	<u>Pay and Related Employee Benefits Paid from the Division of Personnel Fund(2440)</u>	<u>Total - Pay and Related Employee Benefits</u>
#1	<u>\$7,700.00</u>	<u>\$69,300.00</u>	<u>\$77,000.00</u>

According to the Deputy Secretary of Administration, the employee's role, while performing services for the Secretary's Office, was to coordinate the Governor's Cabinet Council on Government for which the Secretary of Administration was the presiding Cabinet Secretary. The 10% allocation of the employee's salary to the Office of the Secretary's General Administration Fund(0186) was consistent with the previous Cabinet Secretary's treatment of Secretary's Office personnel. The Deputy Secretary added the focus of the employee's work at the Cabinet Council was related to the Subcommittee on Human Resources, and since the Subcommittee's work was Statewide in scope, the remaining 90% of the employee's salary was allocated to the Division of Personnel Fund.

The second employee was hired on July 14, 1997. According to the Deputy Secretary of Administration, his services were lent to the Governor's Office on January 5, 1998. As of May 8, 2000, this particular employee remains on the Department of Administration's payroll while continuing to perform services as an Assistant Legislative Liaison for the benefit of the Governor's Office. Based on our audit, 10% of this employee's salary is allocated to the Office of the Secretary's General Administration Fund(0186), and the remaining 90% is allocated to the Division of Information Services and Communications Fund(2220) as shown in the following schedule:

<u>Employee</u>	<u>Pay and Related Employee Benefits Paid from Office of the Secretary's General Operating Fund (0186)</u>	<u>Pay and Related Employee Benefits Paid from the Division of Information Systems and Communications Fund (2220)</u>	<u>Total - Pay and Related Employee Benefits</u>
#2	<u>\$13,200.00</u>	<u>\$118,800.00</u>	<u>\$132,000.00</u>

The Deputy Secretary stated the employee's payroll allocations are consistent with the previous Administration's allocations of the Deputy Secretary of Administration position which the employee initially filled.

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

"Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the State treasury, shall, before any such money is paid out of

the State treasury, certify to the auditor that **the money for which such requisition is made is needed for present use for the purposes for which it was appropriated;...**" (emphasis added).

Chapter 29, Article 6, Section 23 of the West Virginia Code, as amended, which created and stipulated the uses for the Division of Personnel Fund, states in part:

"For the operation of the division, there is hereby created in the State treasury a special revolving fund to be known and designated as the "division of personnel fund...."(emphasis added) .

Chapter 5A, Article 7, Section 10 of the West Virginia Code, as amended, which created and stipulated the uses for the Information Services and Communications Fund, states in part:

"For the operation of the division, there is hereby created in the State treasury a special revolving fund to be known and designated as the "information services and communications fund...." (emphasis added) .

The provisions of Chapter 12, Article 3, Section 9 of the West Virginia Code quoted above require appropriated moneys be used for the purposes for which they are appropriated. The purpose of the appropriations made to the Office of the Secretary's General Administration Fund are for the operation of the Secretary's Office; they are not for the operation of the Governor's Office. As a result, we believe disbursements made from the Office of the Secretary's General Administration Fund to pay employees performing services for the Governor's Office violates this statute.

In addition, Chapter 29, Article 6, Section 3 and Chapter 5A, Article 7, Section 10 of the West Virginia Code quoted above indicate, respectively, that the special revenue fund created for the Division of Personnel and the special revenue fund created for the Information Services and Communications Division are to be used for goods and services related to the operation of the Divisions. While working at the Governor's Office, neither of the two employees in question performed services directly related to the operation of these Divisions. Therefore, we believe payments made from these two special revenue funds to the employees violate the provisions of these statutes.

We recommend the Secretary's Office comply with Chapter 12, Article 3, Section 9; Chapter 29, Article 6, Section 23; and Chapter 5A, Article 7, Section 10 of the West Virginia Code, as amended.

Agency's Response

We agree that time records are an appropriate means of documenting the allocation of Secretary's Office personnel costs to the department's divisions and agencies, as was used in previous administrations to support this practice.

**Payments for the West Virginia
Prosecuting Attorneys' Institute**

At the close of fiscal year 1998, the Secretary's Office paid at least 12 invoices totaling \$7,121.15 for the West Virginia Prosecuting Attorney's Institute directly from Department of

Administration funds. Making these payments with moneys appropriated to the Secretary's Office, General Administration Fund (0186) had the effect of increasing the legislative appropriation of the Prosecuting Attorney's Institute above the amount authorized by the West Virginia Legislature in the Annual Budget Bill for fiscal year 1998. Also, according to the itemization on one of these invoices, a vendor supplying services for the Institute was overpaid \$200.00.

The Director of Accounting of the Department of Administration told us the West Virginia Prosecuting Attorneys' Institute did not have the funds to pay these invoices. From a memorandum on these payments, the Director stated:

"Some of the funding for the Prosecuting Attorneys' Institute comes from reimbursement from grants. At the end of that fiscal year (1998) there was not enough cash to process expenses pending the reimbursements. The options were to send the vendors to the Court of Claims for payment, which would take a year, or find another source of funds...."

According to this memorandum, the Secretary of Administration authorized the use of the Office of the Secretary's General Administration Fund (0186) to pay the vendors.

Chapter 7, Article 4, Section 6 of the West Virginia Code, as amended, states in part:

"(g)...All costs of operating the West Virginia prosecuting attorneys institute shall be paid from the West Virginia prosecuting attorneys institute fund upon proper authorization by the executive council or by the executive director of the institute and

subject to annual appropriation by the Legislature of the amounts contained within the fund."

Unless applicable code sections regarding accounting matters are followed, improper payments of invoices can occur. Further, when goods and services benefitting one agency are paid by another agency, the true cost of operating either agency cannot be readily determined.

We recommend the Secretary's Office comply with Chapter 7, Article 4, Section 6 of the West Virginia Code, as amended. Also, we recommend the Secretary's Office seek reimbursement of \$7,121.15 paid by the Secretary's Office on behalf of the Prosecuting Attorney's Institute and seek reimbursement of the \$200.00 overpayment from the vendor who was overpaid.

Agency's Response

Because of unanticipated lack of funds at year-end, the Cabinet Secretary authorized payment of the Institute's invoices from the Secretary's Office. The Secretary believed it was more appropriate to pay the invoices than to send the vendors to the Court of Claims. The Secretary's Office and the Budget Division worked with the Finance Committees of the Legislature during the 2000 session to address the chronic funding issues of the Prosecuting Attorneys Institute.

Statewide Contracts

On August 15, 1998, the State of West Virginia entered into a Statewide contract for office supplies and related materials with Boise Cascade Office Products. However, on ten occasions during the period from August 15, 1998 through June 30, 1999, the Secretary's Office bought office supply items totaling \$1,867.69 from other vendors as shown in the following schedule:

<u>Vendor</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
Danka Industries, Inc.	09/16/98	\$ 455.75	Toner
Service Office Supply	09/17/98	186.66	Various and Sundry, Including: Envelopes, Folders, Pocket Files, etc.
Service Office Supply	10/28/98	154.34	Various and Sundry, Including: Post-it Notes, File Folders, etc.
Service Office Supply	10/28/98	76.34	Various and Sundry, Including: Bookends, Appointment Books, Batteries, etc.
Franklin Covey	02/08/99	327.26	Various and Sundry, Including: Road Atlas, Planners, Inserts for Planners, etc.
Franklin Covey	02/05/99	20.80	Daily Planners
Franklin Covey	02/05/99	9.60	Replacement Inserts for Daily Planners
Danka Industries	05/26/99	95.75	Toner
G. Neil Companies	05/26/99	442.19	Poster Laminating Kits
Danka Industries	06/15/99	<u>99.00</u>	Canon E1 Staples
	TOTAL	<u>\$1,867.69</u>	

Section 6.1.1 of the Department of Administration's Agency Purchasing Manual states in part:

"\$1,000 and Less: Competitive bids are not required but encouraged when possible. (Agencies are to use the State Purchasing Card for these purchases). Agencies must first check to see if a Statewide contract exists for the commodity or service, or if the Consolidated Printing Facility, Prison Industries or WVARF is able to meet their needs...."

The Executive Secretary for the Secretary's Office, who is primarily responsible for the Office's procurement, told us she could not remember specifically the details related to these purchases. In addition, she told us office supply items were often needed immediately and the Office could not wait the required delivery time for supplies ordered from Boise Cascade. However, a review of the vendor invoices shows at least some of the purchases made from the vendors shown earlier appear to have also required delivery time. Since the purpose of a Statewide contract is to achieve the overall highest quality at the lowest cost, the use of other vendors could increase the cost of running the Secretary's Office while at the same time, reducing the overall quality of goods received.

Also, the Secretary's Office paid \$2,765.00 more for temporary services during fiscal year 1999 than what the Office would have paid had they adhered to the terms of an existing Statewide contract with the temporary services vendor as shown in the following schedule:

<u>Temporary Services Employee</u>	<u>Actual Amount Paid</u>	<u>Amount Due Under Statewide Contract</u>	<u>Difference</u>
#1	\$ 5,492.48	\$3,734.58	\$1,757.90
#2	3,133.44	2,463.32	670.12
#3	<u>1,575.68</u>	<u>1,238.70</u>	<u>336.98</u>
TOTALS	<u>\$10,201.60</u>	<u>\$7,436.60</u>	<u>\$2,765.00</u>

The description of all the services provided for the Secretary's Office as described on the vendor's invoices were covered under the terms of the contract. The differences between the actual rates paid by the Secretary's Office for the temporary services and the rates set by the Statewide contract were:

<u>Description of Service</u>	<u>Hourly Rate Paid</u>	<u>Hourly Rate Set By Contract</u>	<u>Difference</u>
Typist/Word Processing Personnel, Advanced Level	\$10.24	\$8.05	\$2.19
General Office Personnel	\$10.24	\$6.63	\$3.61

The Department of Administration's Executive Secretary stated whenever the Secretary's Office contracted temporary services at a rate of pay outside the Statewide contract, either the Cabinet Secretary or his Deputy would verbally approve the alternate rate of pay. The Executive Secretary went on to say that since the temporary helpers were all talented individuals, it was agreed they would be paid at a rate higher than the rate on the Statewide contract.

We recommend the Secretary's Office comply with Section 6.1.1 of the Department of Administration's Agency Purchasing Manual and with the terms of the Temporary Services Contract.

Agency's Response

Effective July 2000, duties within the Secretary's Office were reassigned. All purchases of the Secretary's Office must be pre-approved by the Deputy Secretary.

Direct Purchase

The Secretary's Office did not obtain bids for a purchase of office furniture totaling \$2,391.00. The furniture was purchased as a direct purchase. In a direct purchase situation, products or services are determined to only be available from one specific vendor. However, no written justification was provided with the specific purchase order. In addition, the office furniture was improperly charged to the Office Supplies object code (020) rather than to an appropriate equipment object code.

Section 6.4.2 of the Department of Administration's Agency Purchasing Manual states in part:

"Direct Purchases under \$10,000: If an item is unique and possesses specific characteristics that are available from only one source, an **Agency Purchase Order** must be completed.... **Written justification must be provided** with the **Direct Purchase Order**. The following criteria will be used to determine validity of the request:

- A. Requested Vendor is the **only** known source, or;

B. The items are of unique or special nature, and;

C. The request is not an attempt to circumvent the normal bid procedures.

A written signed quotation from the sole source vendor must also be obtained...."

Unless the purchasing policies are followed, the Secretary's Office risks making purchases that are not in its best interests and giving the appearance of favoritism toward a particular vendor.

The Executive Secretary for the Secretary's Office, who is primarily responsible for the Office's procurement, said she could not remember specifically the circumstances related to this purchase. However, she added that it is likely that the vendor chosen was the only vendor able to meet the Office's needs.

We recommend the Secretary's Office comply with Section 6.4.2 of the Department of Administration's Agency Purchasing Manual.

Agency's Response

Effective July 2000, duties within the Secretary's Office were reassigned. All purchases of the Secretary's Office must be pre-approved by the Deputy Secretary.

Equipment Inventory

From our sample of equipment purchases made during fiscal years 1999 and 1998, we attempted to physically locate equipment costing \$1,000 or more. We were unable to locate a Gateway desktop

computer (Serial Number 0013176933) purchased on May 15, 1999 for \$2,450.00. The computer was assigned a Department of Administration identification tag number and was listed on the WVFIMS Fixed Asset System as being present in the Secretary's Office. The Executive Secretary for the Secretary's Office informed us the computer had been retired and sent to the Surplus Property Unit. However, the Secretary's Office was unable to provide us with a retirement form with the correct serial number and identification tag number for the computer.

The Department of Administration, Purchasing Division's Inventory Management and Surplus Property Disposition Policies and Guidelines, Section 4.32 states as follows:

"Agencies retiring equipment with an acquisition of \$1,000 or more are required to retire the equipment to Surplus Property electronically using the WVFIMS Fixed Asset System. The retirement process via WVFIMS Fixed Asset System will automatically generate an FIMS agency retirement cover sheet. This agency retirement cover sheet should accompany the equipment to Surplus Property for proper completion of the retirement."

Also, a scanner and a Laser Jet Printer that were located in the Secretary's Offices were not recorded on the WVFIMS Fixed Asset System. Finally, a laptop computer selected in our sample, which was purchased for \$4,623.00 on June 25, 1998, was not affixed with an identification tag. This computer, however, was recorded in the Fixed Asset System and had been assigned an identification tag number.

The Accountant responsible for the Secretary's Inventory could not explain why the scanner and the Laser Jet printer were not recorded in the Fixed Asset System. The Accountant went on to say that he gave a Secretary's Office employee an identification tag for the untagged laptop computer; however, the Accountant concluded that the employee may have forgotten to affix the tag to the computer.

Section 3.12 of the Department of Administration, Purchasing Division's Inventory Management and Surplus Property Disposition Policies and Guidelines states:

"Added Property: When an agency acquires new, reportable property / equipment, the item should be entered into the WVFIMS Fixed Asset system and labeled with a numbered identification tag. Agencies are responsible for adding new equipment into the WVFIMS Fixed Asset system. The equipment should be entered into the WVFIMS Fixed Asset system as soon as the vendor's invoice has been paid and the FIMS "I" document number has been established."

The Secretary's Office failure to place identification tags on equipment, update their equipment inventory for new purchases and to adequately document the disposition of inventory items could result in theft or unauthorized use of equipment belonging to the Secretary's Office.

We recommend the Secretary's Office follow Sections 4.32 and 3.12 of the Department of Administration, Purchasing Division's Inventory Management and Surplus Property Disposition Policies and Guidelines.

Agency's Response

Effective July 2000, duties within the Secretary's Office were reassigned. At that time, the Deputy Secretary performed an inventory of all assets of the Secretary's Office. In addition, the Accounting Section of the Division of Finance has implemented procedures to ensure compliance with the Purchasing Division's inventory management and surplus property disposition policies and guidelines. Additional internal policies and procedures are being developed to properly account for and record fixed asset purchases and dispositions.

Failure to Report Taxable Income

The Cabinet Secretary of the Department of Administration (DOA) received reimbursements totaling \$2,866.11 for meals and lodging expenses incurred during calendar years 1997, 1998 and 1999 while staying in Charleston, West Virginia (his tax home as defined by the Internal Revenue Service). These allowances were not reported by the DOA as part of the Secretary's income to the Internal Revenue Service, the Social Security Administration, the West Virginia State Tax Department or to the Cabinet Secretary on Form W-2. However, we believe these payments meet the Internal Revenue Service's definition of taxable income and should have been reported by the DOA.

Chapter 11, Article 21, Section 12 of the West Virginia Code, as amended, states in part:

"(a) *General.* - The West Virginia adjusted gross income of a resident individual means his federal adjusted gross income as defined in the laws of the United States for the taxable year . . ."

Also, Chapter 11, Article 21, Section 72 of the West Virginia Code, states in part:

"Every employer required to deduct and withhold tax under this article from the wages of an employee, or who would have been required so to deduct and withhold tax if the employee had claimed no more than one withholding exemption, shall furnish to each such employee in respect of the wages paid by such employer to such employee . . . a written Statement as prescribed by the tax commissioner showing the amount of wages paid by the employer to the employee, the amount deducted and withheld as tax, and such other information as the tax commissioner shall prescribe."

In addition, Page 3 of the Internal Revenue Service's Publication 463, which defines an individual's tax home for the purpose of determining the deductibility of employee travel expenses, states in part:

"...Generally, your tax home is your regular place of business or post of duty, regardless of where you maintain your family home. It includes the **entire city or general area** in which your business or work is located.... If you (and your family) live in an area outside your tax home (main place of work), you...cannot deduct the cost of meals and lodging while at your tax home...."

Lastly, paragraphs (d) (2) and (c) (5) of Regulation §1.62 of the Internal Revenue Services' Income Tax Regulations, which define deductible and nondeductible employee expenses, states in part:

"(d)(2) *Other bona fide expenses.* If an arrangement provides advances, allowances, or reimbursements for business expenses described in paragraph (d)(1) of this section (i.e., deductible employee business expenses) and for other bona fide expenses related to the employer's business (e.g., travel that is not away from home) that are not deductible under Part VI (section 161 and the following), subchapter B, chapter 1 of the Code, the payor is treated as maintaining two arrangements. The portion of the arrangement that provides payments for the deductible employee business expenses is treated as one arrangement that satisfies this paragraph (d). ***The portion of the arrangement that provides payments for the nondeductible employee expenses is treated as a second arrangement that does not satisfy this paragraph (d) and all amounts paid under this second arrangement will be treated as paid under a nonaccountable plan.*** See paragraphs (c)(5) and (h) of this section...." *(Emphasis added)*

"(c)(5) *Treatment of payments under nonaccountable plans.* Amounts treated as paid under a nonaccountable plan are included in the employee's gross income, must be reported as wages or other compensation on the employee's Form W-2, and are subject to withholding and payment of employment taxes (FICA, FUTA, RRTA RURT, and income tax)"

Based on our review of Chapter 11, Article 21, Sections 12 and 72 of the West Virginia Code, page 3 of the Internal Revenue Service's Publication 463, and paragraphs (d) (2) and (c) (5) of Regulation §1.62 of the Internal Revenue Service's Income Tax Regulations, we believe that meal and lodging expenses incurred at an individual's tax home are nondeductible expenses and any reimbursement would constitute income subject to inclusion in box 1 of Form-W2 for reporting to Internal Revenue Service, the Social

Security Administration, the West Virginia State Tax Department and to the employee. According to the DOA's Accounting Section staff, there have been no reimbursements for Department of Administration travel expenses during calendar years 1997, 1998 and 1999 that have been reported to employees as taxable income.

We recommend the Secretary's Office comply with Chapter 11, Article 21, Sections 12 and 72 of the West Virginia Code, as amended.

Agency's Response

The Payroll Section of the Department of Administration was not aware of the items the Legislative Auditor noted at the time the 1997, 1998 and 1999 W-2's were prepared. The Payroll Section will research the travel records for 2000 to determine if there are additional items to be reported for 2000.

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 Office of the Secretary of the West Virginia Department of Administration for the years ending June 30, 1999 and June 30, 1998. The financial statement is the responsibility of the management of the Office of the Secretary of the West Virginia Department of Administration. 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 as to 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.

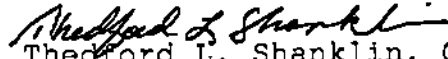
As described in Note A, the financial statement was prepared on the cash and modified cash bases of accounting, which are comprehensive bases of accounting other than generally accepted accounting principles.

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 Office of the Secretary of the West Virginia Department of Administration 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 purposes 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.

Respectively submitted,


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

November 15, 2000

Auditors: Michael E. Sizemore, CPA, Supervisor
Stanley D. Lynch, CPA, Auditor-in-Charge
Melanie L. Nuckols, CPA
Peter J. Maruish, Jr. CPA
Charles B. Thompson

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION - OFFICE OF THE SECRETARY
 STATEMENT OF APPROPRIATIONS/CASH RECEIPTS, EXPENDITURES/DISBURSEMENTS
 AND CHANGES IN FUND BALANCES

	<u>Year Ended June 30, 1999</u>		
	<u>General Revenue</u>	<u>Special Revenue</u>	<u>Total</u>
Appropriations/Cash Receipts:			
Appropriations - Net of Transfers	\$3,905,199.00	\$ 0.00	\$ 3,905,199.00
State General Revenue Fund Surplus	4,517,738.37	0.00	4,517,738.37
Transfer from Natural Gas			
Refund Fund - Fund 2261	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	8,422,937.37	0.00	8,422,937.37
Expenditures/Disbursements:			
Personal Services	240,911.53	0.00	240,911.53
Employee Benefits	60,780.98	0.00	60,780.98
Current Expenses	39,939.13	0.00	39,939.13
Repairs and Alterations	2,099.79	0.00	2,099.79
Equipment	6,728.70	0.00	6,728.70
Public Employees Insurance Match			
Transfer- Transfer to General			
Revenue for Use as Supplementary	3,550,000.00	0.00	3,550,000.00
Appropriation to Civil Contingent			
Fund - Fund 0105	<u>0.00</u>	<u>7,500,000.00</u>	<u>7,500,000.00</u>
	<u>3,900,460.13</u>	<u>7,500,000.00</u>	<u>11,400,460.13</u>
Appropriations/Cash Receipts Over/ (Under) Expenditure/Disbursements	4,522,477.24	(7,500,000.00)	(2,977,522.76)
Expirations and Expenditures after June 30	(4,738.87)	0.00	(4,738.87)
Beginning Balance	0.00	67,790,553.52	67,790,553.52
Intra-Agency Transfer from Revenue Short Fall Fund-Transfer Fund-0544 to Revenue Shortfall Reserve Fund-2038	<u>(4,517,738.37)</u>	<u>4,517,738.37</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$64,808,291.89</u>	<u>\$64,808,291.89</u>

See Notes to Financial Statement

Year Ended June 30, 1999

<u>General Revenue</u>	<u>Special Revenue</u>	<u>Total</u>
\$ 3,798,261.00	\$ 0.00	\$ 3,798,261.00
10,192,741.30	0.00	10,192,741.30
<u>0.00</u>	<u>227,058.12</u>	<u>227,058.12</u>
3,991,002.30	227,058.12	14,218,060.42
170,563.88	0.00	170,563.88
41,280.80	0.00	41,280.80
27,403.64	0.00	27,403.64
2,323.15	0.00	2,323.15
5,333.34	0.00	5,333.34
3,550,000.00	0.00	3,550,000.00
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
3,796,904.81	0.00	3,796,904.81
10,194,097.49	227,058.12	10,421,155.61
(1,356.19)	0.00	(1,356.19)
0.00	57,370,754.10	57,370,754.10
<u>(10,192,741.30)</u>	<u>10,192,741.30</u>	<u>0.00</u>
<u>\$ 0.00</u>	<u>\$67,790,553.52</u>	<u>\$67,790,553.52</u>

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policies

Accounting Method: The modified cash basis of accounting is followed for the General Revenue Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. All balances of the General Revenue Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 31 days after the fiscal year-end; however, appropriations for buildings and land remain in effect until three years after the passage of the act by which such appropriations were made. The cash basis of accounting is followed by 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. Accordingly, the financial Statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

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

	<u>Expenditures</u>		<u>Expirations</u>	
	<u>Paid After June 30,</u>		<u>July 31,</u>	<u>July 31,</u>
	<u>1999</u>	<u>1908</u>	<u>1999</u>	<u>1998</u>
Unclassified	<u>\$4,738.87</u>	<u>\$1,356.19</u>	<u>\$0.00</u>	<u>\$0.00</u>

Combined Totals: The combined totals contain the totals of similar accounts for the various funds. Since the appropriations and cash receipts 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 4.5% of their annual compensation and employees have vested rights under certain circumstances. The Department of Administration's Office of the Secretary matches contributions at 9.5% of the compensation on which the employees made contributions. The Office of the Secretary's pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
General Revenue	<u>\$22,660.06</u>	<u>\$14,491.43</u>

SUPPLEMENTAL INFORMATION

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Unclassified - Fund 0186-099</u>		
Appropriations	\$245,197.00	\$238,261.00
Transfer from Finance Division		
Fund 0203-001	40,000.00	10,000.00
Transfer from Ethics Commission		
Fund 0223-010	9,000.00	0.00
Transfer from Ethics Commission		
Fund 0223-099	9,452.00	0.00
Transfer from Grievance Board		
Fund 0220-001	<u>51,550.00</u>	<u>0.00</u>
	355,199.00	248,261.00
Expenditures:		
Personal Services	240,911.53	156,444.57
Employee Benefits	61,903.20	41,323.38
Current Expenses	43,454.58	42,836.56
Repairs and Alterations	2,200.99	2,323.15
Equipment	<u>6,728.70</u>	<u>5,333.34</u>
	<u>355,199.00</u>	<u>248,261.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>4,738.87</u>	<u>1,356.19</u>
Balance	<u>\$ 4,738.87</u>	<u>\$ 1,356.19</u>

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
OFFICE OF THE SECRETARY
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Unclassified - Fund 0186-099</u>		
Appropriations	\$245,197.00	\$238,261.00
Transfer from Finance Division		
Fund 0203-001	40,000.00	10,000.00
Transfer from Ethics Commission		
Fund 0223-010	9,000.00	0.00
Transfer from Ethics Commission		
Fund 0223-099	9,452.00	0.00
Transfer from Grievance Board		
Fund 0220-001	<u>51,550.00</u>	<u>0.00</u>
	355,199.00	248,261.00
Expenditures:		
Personal Services	240,911.53	156,444.57
Employee Benefits	61,903.20	41,323.38
Current Expenses	43,454.58	42,836.56
Repairs and Alterations	2,200.99	2,323.15
Equipment	<u>6,728.70</u>	<u>5,333.34</u>
	<u>355,199.00</u>	<u>248,261.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>4,738.87</u>	<u>1,356.19</u>
Balance	<u>\$ 4,738.87</u>	<u>\$ 1,356.19</u>

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Public Employees' Insurance Match (R) -</u>		
<u>Transfer - Fund 0186-838</u>		
Appropriations	\$3,550,000.00	\$3,550,000.00
Expenditures:		
Employee Benefits	<u>3,550,000.00</u>	<u>3,550,000.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<u>Revenue Shortfall Reserve Fund -</u>		
<u>Transfer - Fund 0544-590</u>		
Cash Receipts:		
State General Revenue Fund Surplus	\$4,517,738.37	\$10,192,741.30
Disbursements:		
Transfers to the Revenue Shortfall Reserve Fund (Fund 2038)	<u>4,517,738.37</u>	<u>10,192,741.30</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Revenue Reserve Fund - Cash Flow</u>		
<u>Transfer Fund 0564</u>		
Cash Receipts:		
Borrowed Funds - Transferred		
From the Revenue Shortfall		
Reserve Fund (Fund 2038)	\$35,000,000.00	\$24,000,000.00
Disbursements:		
Repayment of Borrowed Funds -		
Transferred to the Revenue		
Shortfall Reserve Fund (Fund		
2038)	<u>35,000,000.00</u>	<u>24,000,000.00</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

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>Office of Emergency Planning - Fund 2025</u>		
Cash Receipts	\$ 0.00	\$ 0.00
Disbursements	<u>0.00</u>	<u>0.00</u>
	0.00	0.00
Beginning Balance	<u>11.66</u>	<u>11.66</u>
Ending Balance	<u>\$11.66</u>	<u>\$11.66</u>
 <u>C & F Refunds - Fund 2028</u>		
Cash Receipts	\$ 0.00	\$ 0.00
Disbursements	<u>0.00</u>	<u>0.00</u>
	0.00	0.00
Beginning Balance	<u>699.39</u>	<u>699.39</u>
Ending Balance	<u>\$699.39</u>	<u>\$699.39</u>

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

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>Revenue Shortfall Reserve</u>		
<u>Fund - 2038</u>		
Cash Receipts:		
General Revenue Surplus Transfers - Fund 0544	\$ 4,517,738.37	\$10,192,741.30
Repayment of Funds Borrowed by the State		
General Fund - Fund 0564	<u>35,000,000.00</u>	<u>24,000,000.00</u>
	39,517,738.37	34,192,741.30
Disbursements:		
Transfer to General Revenue for Use as		
Supplementary Appropriation to Civil		
Contingent Fund - Fund 0105	7,500,000.00	0.00
Funds Borrowed by the State General Revenue		
Fund - Fund 0544	<u>35,000,000.00</u>	<u>24,000,000.00</u>
	<u>42,500,000.00</u>	<u>24,000,000.00</u>
Cash Receipts (Under)/Over Disbursements	(2,982,261.63)	10,192,741.30
Beginning Balance	<u>67,562,784.35</u>	<u>57,370,043.05</u>
Ending Balance	<u>\$64,580,522.72</u>	<u>\$67,562,784.35</u>

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE SECRETARY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

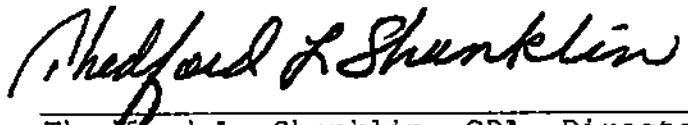
	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<u>Natural Gas Contract DOA Office of Secretary</u>		
<u>Refund Fund Cash Control -Fund 2040-096/640</u>		
Beginning Balance:		
State Treasury	\$227,058.12	\$ 0.00
Cash Receipts:		
Transfer from Natural Gas		
Refund Fund - Fund 2261	<u>0.00</u>	<u>227,058.12</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$227,058.12</u>	<u>\$227,058.12</u>
Disbursements	\$ 0.00	\$ 0.00
Ending Balance:		
State Treasury	<u>227,058.12</u>	<u>227,058.12</u>
TOTAL CASH ACCOUNTED FOR	<u>\$227,058.12</u>	<u>\$227,058.12</u>

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

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

Given under my hand this 7th day of January, 2001.



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 Governor; Attorney General; and, State Auditor.