

LEGISLATIVE AUDIT REPORT WEST VIRGINIA RURAL HEALTH EDUCATION PARTNERSHIPS

FOR THE PERIOD JULY 1, 2005 - DECEMBER 31, 2007

AUDIT OVERVIEW

Higher Education Policy Commission - Lottery Education Fund 4925
as of December 31, 2007

Act 036 - RHI Program and Site Support - District Consortia



WEST VIRGINIA LEGISLATIVE AUDITOR POST AUDIT DIVISION



Aaron Allred - *Legislative Auditor*
Stacy Sneed, CPA - *Director*

Room 329 W, Building I
1900 Kanawha Boulevard East
Charleston, West Virginia 25305
phone: (304) 347-4880

LEGISLATIVE POST AUDIT SUBCOMMITTEE

Senate

President Earl Ray Tomblin, Chairman
Walt Helmick
Don Caruth

House

Speaker Richard Thompson, Chairman
Harry Keith White
Tim Armstead

WEST VIRGINIA LEGISLATIVE AUDITOR LEGISLATIVE POST AUDIT DIVISION

Aaron Allred
Legislative Auditor

Stacy L. Sneed, CPA, CICA
Director

Trenton Morton
Audit Manager

Derek A. O'Neal, CICA
Auditor-in-Charge

Jamie Gilbert, Auditor III
Jane Caswell, Auditor II
Jayson White, Auditor II
Annamarie Short, Auditor I
Bret Jones, Auditor I
Staff Auditors

Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., East
Charleston, WV 25305-0610
(304) 347-4880

Post audit reports are available on-line at
<http://www.legis.state.wv.us/Joint/postaudit/reports.cfm>

For more information about the Legislative Post Audit Division, please visit our website at
www.legis.state.wv.us/Joint/postaudit/postaudit.cfm

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.
Charleston, West Virginia 25305-0610



Area Code (304)
Phone: 347-4880
Fax: 347-4889

August 3, 2009

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 conducted a post audit of the West Virginia Rural Health Education Partnerships program for the period July 1, 2005 through December 31, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Our audit disclosed certain findings which are detailed in this report. The Spending Unit's management has responded to the audit findings; we have included the responses following each finding.

Respectfully submitted,

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

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

SLS/gkc

**WEST VIRGINIA RURAL HEALTH EDUCATION PARTNERSHIPS
PROGRAM**

TABLE OF CONTENTS

Executive Summary	2
Introduction	10
Post Audit Authority	10
Background.....	10
Program Goals	10
Administrative Officers and Staff.....	12
Audit Scope	13
Objectives, Methodologies, and Conclusions	13
Exit Conference.....	14
Fund Listing	15
Significant Deficiencies and Material Weaknesses in Internal Control and Reportable Compliance and Other Matters Findings.....	16
Finding 1 – Internal Control Weaknesses	19
Finding 2 – No Inventory Management	23
Finding 3 – Unsupported Expenditures	28
Finding 4 – No Safety Evaluations of Student Housing.....	31
Finding 5 – Inadequate Procedures Governing Student Housing Rental Contracts	33
Finding 6 – Unsupported Travel Reimbursement.....	36
Finding 7 – WVRHEP Funds Used for Rewards, Gifts and Prizes	38
Finding 8 – Raises Given Absent Proper Approval Documentation.....	40
Finding 9 – Inadequate Leave Procedures	42
Certificate of Director, Legislative Post Audit Division	46

**WEST VIRGINIA RURAL HEALTH EDUCATION PARTNERSHIPS
PROGRAM**

EXECUTIVE SUMMARY

Finding 1 Internal Control Weaknesses

- We found severe oversight deficiencies exist concerning West Virginia Rural Health Education Partnerships (WVRHEP) program grant funds.
- We found these deficiencies present at the grantees for both consortia we audited in depth and the grantor, the Higher Education Policy Commission (the Commission) on a state-wide level.
- During the course of our audit we learned the Commission does not monitor grantees for compliance with the various grant agreement.
- The Commission issued grants during our audit period for WVRHEP totaling \$5,833,621.36. Additionally, Tri County Health Clinic (TCHC) and Marshall University Research Corporation (MURC) received \$1,671,593.00 and \$614,305.36 in grant funds, respectively, for the WVRHEP program during this same period.
- As a result of a lack of oversight by the Commission, and specifically for the Northern West Virginia Rural Health Education Center (NWVRHEC) and Southern Counties Consortium (SCC) regions a combined lack of oversight by both the Commission and lead agencies, we consider the appropriated funds for the WVRHEP program at high risk for misappropriation due to fraud or negligence.

Auditor's Recommendation

We recommend the Higher Education Policy Commission comply with the monitoring requirements of the WVRHEP program grant agreements and Chapter 18B, Article 16, Section 4, as amended, of the West Virginia State Code and ensure all funds are spent in accordance with the mission and goals of the program as defined by West Virginia Code and the goals and scope defined within the various WVRHEP grant agreements. Further, we recommend if the Commission feels it in the best interest of the program to continue this relationship with WVUHS, a memorandum of agreement (MOA) is established clearly defining the work required, the term and compensation, as well as any other details the Commission deems pertinent.

HEPC's Response

Although unaware of specific instances of misspent funds, HEPC has been concerned about the overall absence of oversight. We have required audited financial statements of the Lead Agencies, including a separate schedule of RHEP funds, and we have developed a new budget format and reporting requirements. During the transition year, we will develop a contract with the RHEP Administrative Office outlining their responsibilities, and we will ask Lead Agencies not to pay invoices from the Consortia unless they are approved by the either the Executive Director or Site Coordinator, as appropriate.

See Pages 19-21 for Finding and HEPC's Response

RHEP's Administrative Office Response

We agree that this audit has found internal weaknesses that need to be corrected, and we will work diligently with HEPC to see that these weaknesses are addressed.

See Page 22 for RHEP's Administrative Office Response

Finding 2 No Inventory Management

- During our audit of the NWVRHEC and the SCC within the WVRHEP program, we learned neither the NWVRHEC nor the SCC maintain a sufficient record of equipment items with detail to make possible the identification of equipment items either purchased during our audit period or acquired prior to.
- The WVRHEP program did not have state-wide policies for the management of inventory during our audit period. The NWVRHEC has not followed, consistently, those implemented subsequently for inventorying assets.
- We are unable to ascertain whether all equipment purchased by the NWVRHEC and the SCC is being used by the WVRHEP program and assure ourselves of no misappropriation of property by program staff. As a result, we have no guarantee the goals and mission of the program are being met in conjunction with the funding used for equipment and fixed assets.

Auditor's Recommendation

We recommend the Higher Education Policy Commission comply with the monitoring requirements of the WVRHEP program grant agreements and Chapter 18B, Article 16, Section 4, as amended, of the West Virginia State Code and ensure all funds are spent in accordance with the mission and goals of the program as defined by West Virginia Code and the goals and scope defined within the various WVRHEP grant agreements. We further recommend program-wide inventory management policies be implemented and followed to protect the investment of the State.

HEPC's Response

The HEPC has established a policy for purchase, management, and disposition of property and equipment, which requires an updated equipment schedule to be included with the Lead Agency's audit.

See Pages 23-25 for Finding and HEPC's Response.

RHEP's Administrative Office Response

*The WVRHEP program does have a statewide policy that governs the purchase, inventory, and disposition of assets and this is included in hard copy at index tab # 2 in the binder and as in electronic folder "Finding # 2". **(Binder Information not included in report, however, it is on file in the Post Audit Division's Office.)***

See Pages 25-27 for RHEP's Administrative Office Response.

Finding 3 Unsupported Expenditures

- During our audit of the NWVRHEC within the WVRHEP program, we noted 49 occurrences of inadequate documentation to support an expenditure. As a result, we were unable to determine whether these expenditures benefited the program according to the guidelines set-forth in both WV Code and the various grant agreements.
- The lead agency for the NWVRHEC, TCHC, does not practice oversight of grant funds and ensure the funds are encumbered by NWVRHEC in compliance with the grant agreements between TCHC and the HEPC.
- We were unable to determine whether these expenditures benefited the program according to the guidelines set-forth in both WV Code and the various grant agreements. These expenditures, made by TCHC with grant funds issued by the HEPC, totaled \$138,087.42 and consisted of both payments to vendors for goods and/or services as well as reimbursements for goods and/or services to NWVRHEC staff.

Auditor’s Recommendation

We recommend the Higher Education Policy Commission comply with Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, and ensure all grant recipients expend funds in a manner so as to meet the goals of the WVRHEP program.

HEPC’s Response

During the transition year, we will expect Lead Agencies to apply the same standards of documentation that they use with their other sources of funding, and to refuse to pay invoices or reimburse employees until such documentation is provided.

See Pages 28 and 29 for Finding and HEPC’s Response

RHEP’s Administrative Office Response

The current policy developed by the HEPC Fiscal Analyst and WVRHEP administration has been the most comprehensive and the best approach to standardizing the budgeting process and other financial management policies to date

See Page 30 for RHEP’s Administrative Office Response

Finding 4 No Safety Evaluations of Student Housing

- We learned through interviews with WVRHEP and HEPC administration and support staff there are no formal evaluations made of the living conditions of leased housing for students conducted now or at any time during our audit period.
- As a result of the inability of the program and of responsible individuals to provide any evidence the housing provided to students during our audit period, and currently being provided, meets the WVRHEP’s requirements we are unable to determine whether any of the \$175,717.66 paid by the NWVRHEC or the \$68,574.41 paid by the SCC towards housing and utilities was paid in

accordance with the grant agreements governing said funds and applicable state rules and regulations.

Auditor's Recommendation

We recommend the WVRHEP program comply with the grant agreements and their own internal policies and procedures and ensure all student housing meets the requirements stipulated in WVRHEP Policy 94-01.

HEPC's Response

An existing RHEP policy clearly states that housing made available for students will meet "public health and fire and life safety standards." Once the medical schools are responsible for administering the program, their property management offices can negotiate arrangements and manage risk associated with housing. In the interim, we will ask the RHEP Administrative Office to evaluate current rental agreements and make sure that risk and legal liability are appropriately managed. We will further instruct the Site Coordinators and Lead Agencies not to commit themselves to leases extending beyond 30 June 2010, and to be sure that all leases include cancellation clauses.

See Pages 31 and 32 for Finding and HEPC's Response

RHEP's Administrative Office Response:

On March 9, 2009, the WVRHEP Associate Director provided a response to an auditor question about information on how we assure that housing is adequate for students regarding fire and life safety issues. She responded that a check list provided by BRIM was used regarding rental units for housing students while on rotation.

See Page 32 for RHEP's Administrative Office Response

Finding 5 Inadequate Procedures Governing Student Housing Rental Contracts

- During our audit we noted the procedures for contractual rental agreements for student housing in both the NWVRHEC and the SCC were inadequate to prevent improper use of funds.
- TCHC staff did not require the submission of a rental agreement to support payments remitted. Additionally, TCHC did not verify agreement extensions subsequent to the end of the initial lease period. The Finance Director for MURC stated MURC's responsibility for leases was limited to the payment of the invoices when they were received and approved for payment.
- We are unable to determine if the total of \$175,717.66 expended for student housing within the NWVRHEC was remitted for valid, active contracts. Additionally, we cannot determine if \$27,000.00 expended for student housing within the SCC was due the lessor. Therefore, we cannot assure ourselves all funds expended met the mission and goals of the program as defined by code.

Auditor’s Recommendation

We recommend the Higher Education Policy Commission comply with Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, and ensure all grant recipients expend funds in a manner so as to meet the goals of the WVRHEP program.

HEPC’s Response

Although unaware of specific instances of poorly documented rental agreements, HEPC has been concerned about the quality and quantity of housing and about the absence of oversight. The HEPC Financial Analyst has established a reporting mechanism for the availability and use of student housing. In some cases, it appears that rental housing has been underutilized by students. The HEPC will address this issue when making structural changes in RHEP and will consider other options for student housing which would not involve leasing of property. We anticipate terminating existing leases over the course of the transition year.

See Pages 33 and 34 for Finding and HEPC’s Response

RHEP Administrative Office Response

The \$27,000 in rental payments cited by the auditors for the SCC are the rental payments for leased housing in Pineville in Wyoming County and housing in Boone County and are accurate.

See Pages 34 and 35 for RHEP’s Administrative Office Response

Finding 6 Unsupported Travel Reimbursement

- During our audit of the NWVRHEC within the WVRHEP program, we noted 18 reimbursements to staff for mileage expenditures in excess what was due by a cumulative total of \$444.52.
- The Executive Director of the NWVRHEC informed us the NWVRHEC used the Federal mileage rate instead of the State rate required by policy, because the Federal rate is easier to find.
- Mileage and one meal were paid in excess what was due and the program lost the benefit of the \$478.52 in overpaid reimbursement.

Auditor’s Recommendation

We recommend the Higher Education Policy Commission comply with Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, and ensure all grant recipients expend funds in a manner so as to meet the goals of the WVRHEP program.

HEPC’s Response

HEPC will instruct Lead Agencies to reimburse RHEP employees only according to the travel guidelines of the Lead Agency, with respect to both the level of reimbursement and the documentation required.

See Pages 36 and 37 for Finding and HEPC’s Response

RHEP’s Administrative Office Response

NWVRHEC follows TCHC’s mileage reimbursement policy, which in turn mirrors the Federal Standard Mileage Rate.

See page 37 for RHEP’s Administrative Office Response

Finding 7 WVRHEP Funds Used As Rewards, Gifts and Prizes

- During our audit of the NWVRHEC within the WVRHEP program, we noted 14 expenditures, totaling \$1,682.19, categorized in the accounting records of the lead agency, TCHC, as varying forms of gifts.
- The lead agency for the NWVRHEC, TCHC, does not practice oversight of grant funds and ensure the funds are encumbered by NWVRHEC in compliance with the grant agreements between TCHC and the HEPC.
- We were unable to determine these expenditures benefited the program according to the guidelines set-forth in both WV Code and the various grant agreements.

Auditor’s Recommendation

We recommend the Higher Education Policy Commission comply with Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, and ensure all grant recipients expend funds in a manner so as to meet the goals of the WVRHEP program.

HEPC’s Response

The HEPC has not authorized the use of RHEP funds for rewards, gifts, and prizes, and we will inform Lead Agencies not to pay or reimburse for these expenditures.

See Pages 38 and 39 for Finding and HEPC’s Response

RHEP’s Administrative Office Response

These gifts in question were provided as a program benefit to thank community volunteers for their participation and support of the program. The first two items were used as incentives for students in fifth grade classes as incentives for their participation in the CARDIAC project.

See Pages 39 for RHEP’s Administrative Office Response

Finding 8 Raises Given Absent Proper Approval Documentation

- While conducting a payroll test, we noted no raises given to WVRHEP staff were properly supported with evidence the Consortium Board of the NWVRHEC approved them.
- The Executive Director of the NWVRHEC did not provide, and TCHC did not require, documentation to indicate the salaries given to WVRHEP staff were properly approved by the NWVRHEC board.

- Without the documentation indicating salaries were approved by members of the board we cannot assure ourselves the salary increases were given in accordance with WVRHEP Policies and Procedures.

Auditor’s Recommendation

We recommend the Higher Education Policy Commission ensure WVRHEP funds are spent in accordance with WVRHEP Policies and Procedures and that salary increases are awarded accordingly.

HEPC’s Response

The HEPC has not authorized the payment of salary raises to RHEP employees without approval of the Consortium Board.

See Pages 40 and 41 for Finding and HEPC’s Response

RHEP’s Administrative Office Response

TCHC was not asked to provide documentation of Board-approved pay increases. If requested, documentation would have been provided

See Page 41 for RHEP’s Administrative Office Response

Finding 9 Inadequate Leave Procedures

- During interviews with SCC staff we learned, subsequent to West Virginia University Research Corporation (WVURC) becoming the lead agency for the SCC, staff members are not required to take leave for time missed in a work day when the time missed is less than 4.0 work hours, cumulatively.
- The leave policy of the lead agency and logistics of the parties involved create an environment for the abuse of leave.
- WVRHEP funds may be used to pay salaries and benefits not earned in full.

Auditor’s Recommendation

We recommend the Higher Education Policy Commission comply with Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, and ensure all grant recipients expend funds in a manner so as to meet the goals of the WVRHEP program.

HEPC’s Response

The HEPC was unaware of the Lead Agency’s policy for allowing undocumented time away from work for less than 4 hours per day. Although the HEPC does not interfere in the personnel policies of the Lead Agency, this policy does not seem reasonable, particularly in light of the distance between the supervisor and the RHEP staff at the consortium in question.

See Page 42 for Finding and HEPC’s Response

RHEP's Administrative Office Response

Consistent with US Department of Labor guidelines, exempt employees may experience variable hours to accomplish the work expected of their employment role. Therefore, exempt employees are not paid hour-by-hour, rather they are paid a standard wage for work expected. Thus, time sheets are not required or recommended to be maintained for exempt employee work hours.

See Pages 43-45 for RHEP's Administrative Office Response

WEST VIRGINIA RURAL HEALTH EDUCATION PARTNERSHIPS PROGRAM

INTRODUCTION

POST AUDIT AUTHORITY

This is the second report on the post audit of the West Virginia Rural Health Education Partnerships (WVRHEP) program. The audit was conducted pursuant to Chapter 4, Article 2 of the West Virginia Code, which requires the Legislative Auditor to “make post audits of the revenues and expenditures of the spending units of the state government, at least once every two years, if practicable, to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit, to ascertain facts and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the state and of the organization and functions of the state and its spending units.”

BACKGROUND

On March 9, 1995, the West Virginia State Legislature passed S. B. 161 amending the RHI Act and providing for the official and legal integration of the Rural Health Initiative and the Kellogg Community Partnerships program. These two programs are now a statewide program consisting of 9 training consortia or networks of community based health, social, and education agencies, covering all 55 of West Virginia's counties.

This enabling legislation called for the appointment of an integrated state Advisory Panel, which reports to the Vice Chancellor for Health Sciences of the University System in the development and implementation of the restructured program. The Vice Chancellor served as the project director of the Kellogg Community Partnerships and the Rural Health Initiative and now heads the integrated program.

The 1995 legislation renamed the program "The West Virginia Rural Health Education Partnerships" and prescribed the membership and duties of the State Advisory Panel appointed by the governor, which reports to the Vice Chancellor for Health Sciences.

The mission of the West Virginia Rural Health Education Partnerships is to achieve greater retention of West Virginia trained health science graduates in underserved rural West Virginia communities by creating partnerships of community, higher education, health care providers, and governmental bodies.

PROGRAM GOALS

Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, states in part:

“The goals of the rural health initiative include, but are not limited to:

- (a) The development of at least six primary health care education sites;

- (b) The establishment of satellite programs from the primary health care education sites to provide additional opportunities for students and medical residents to serve under role models in rural areas;
- (c) The provision of training to all medical students under the direction of primary care physicians practicing in rural areas;
- (d) The provision of admission preferences for qualified students entering primary care in needed specialties in underserved areas;
- (e) The creation of medical residency rotations in hospitals and clinics in rural areas and the provision of incentives to medical residents to accept the residencies at these hospitals and clinics;
- (f) The placement of mid-level providers in rural communities and the provision of support to the mid-level providers;
- (g) The extension of rural hospital physician respite loan programs to rural primary health care clinics;
- (h) The development of innovative programs which enhance student interest in rural health care opportunities;
- (i) The increased placement of primary care physicians in underserved areas;
- (j) The increased retention of obstetrical providers and the availability of prenatal care;
- (k) The increased use of underserved areas of the State in the educational process;
- (l) An increase in the number of support services provided to rural practitioners;
- (m) An increase in the retention rate of graduates from West Virginia medical schools, nursing schools and allied health care education programs;
- (n) The development of effective health promotion and disease prevention programs to enhance wellness; and
- (o) The establishment of primary health care education sites which complement existing community health care resources and which do not relocate the fundamental responsibility for health care from the community to the Board of Trustees.”

**WEST VIRGINIA RURAL HEALTH EDUCATION PARTNERSHIPS
PROGRAM**

**ADMINISTRATIVE OFFICERS AND STAFF
JULY 1, 2005 TO PRESENT**

**Higher Education Policy Commission
Administrative Staff**

Dr. Brian Noland..... Chancellor (May 2006 – Present)
Dr. Bruce FlackInterim Chancellor (October 2005– May 2006)
Dr. Michael Mullin..... Chancellor (July 2005 – September 2005)

Dr. Robert Walker Vice Chancellor (August 2008 – Present)
Vacant Vice Chancellor (July 2005 – August 2008)

**Rural Health Education Partnerships/Area Health Education Center
Administration Staff**

Hilda Heady, MSW Executive Director (July 2005 – Present)
April Vestal..... Associate Director (July 2005 – Present)

**WEST VIRGINIA RURAL HEALTH EDUCATION PARTNERSHIPS
PROGRAM**

AUDIT SCOPE

We have audited the West Virginia Rural Health Education Partnerships (WVRHEP) program grant funds for the period of July 1, 2005 through December 31, 2007. Our audit scope included a review of internal control and compliance with laws, regulations and provisions of grant agreements. The audit was conducted in accordance with auditing standards generally accepted in the United States.

OBJECTIVES AND METHODOLOGIES

The objective of this audit was to determine whether WVRHEP grant funds were spent in accordance with West Virginia Code, the various applicable grant agreements and other governing criteria.

In order to achieve the objective noted above, we reviewed applicable sections of the West Virginia Code, Legislative Rules, grant agreements as well as other rules and regulations, policies and procedures, conducted interviews with WVRHEP staff, Higher Education Policy Commission employees and reviewed various documents related to WVRHEP program.

A nonstatistical sampling approach was used. Our samples of transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Transactions were selected for testing using professional judgment.

Higher Education Policy Commission's written response to the significant deficiencies and material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the College and, accordingly, we express no opinion on it.

Our reports are designed to assist the Post Audit Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report is intended for the information and use of the Post Audit Subcommittee, the members of the WV Legislature, management of the spending unit and others within the spending unit. However, once released by the Post Audit Subcommittee, this report is a matter of public record and its distribution is not limited.

CONCLUSIONS

We found the HEPC does not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations and the various grant agreements. Specifically, we noted a significant lack of oversight over the grant agreements and the subsequent use of grant funds by grantees in areas including, but not limited to: equipment inventory; cash disbursements; payroll;

annual leave; and student housing. Such significant weaknesses in internal controls greatly increase the risk of loss, theft and/or fraud to occur and go unnoticed by management. These weaknesses in internal controls merit management's immediate attention.

EXIT CONFERENCE

We discussed this report with the management of the Higher Education Policy Commission on August 3, 2009 and of the RHEP administrative office on August 6, 2009. All findings and recommendations were reviewed and discussed. Management's responses have been included in italics at the end of each finding.

**WEST VIRGINIA RURAL HEALTH EDUCATION PARTNERSHIPS
PROGRAM**

FUND LISTING

SPECIAL REVENUE FUNDS

I. 4925 - Higher Education Policy Commission-Lottery Education

ACT 036 - RHI PROGRAM AND SITE SUPPORT-DISTRICT CONSORTIA – To support the WVRHEP programs regional networks, or consortia, in carrying out the missions and goals of the program as defined by Code.

**SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES IN INTERNAL CONTROL AND
REPORTABLE COMPLIANCE AND OTHER MATTERS FINDINGS**

In planning and performing our audit of the West Virginia Rural Health Education Partnerships program, in accordance with auditing standards generally accepted in the United States of America, we considered the program's internal control over financial reporting (internal control) as a basis for designing our auditing procedures, but not for the purpose of expressing an opinion on the effectiveness of the program's internal control. Accordingly, we do not express an opinion on the effectiveness of the program's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies to be material weaknesses in findings 1 and 2.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies to be significant deficiencies in findings 3, 5, 7, 8 and 9.

HEPC's Response

The Higher Education Policy Commission has delegated responsibility for oversight of RHEP grants to the RHEP Administrative Office. Having no direct knowledge of the day-to-day practices of the grantees, we have no basis on which to dispute the findings, and therefore accept all of the findings of the Legislative Audit contained within this report, covering the time period July 1, 2005 to December 31, 2007.

At the inception of the Rural Health Education Partnerships program, the HEPC, through the Vice Chancellor for Health Sciences, provided guidance and direction to the program, while delegating actual oversight and management of the grants to the RHEP office in Morgantown. During the audited time period and for several years prior to that time, the office of Vice Chancellor for Health Sciences was vacant. The subsequent leadership vacuum was filled by the RHEP Administrative Office, which focused more on program guidance and advocacy than on grants management and administration. Consequently, without enforcement from the RHEP office or the HEPC, it appears that the Lead Agencies and Consortia cited in this report failed to maintain appropriate controls and accountability for RHEP grant funds.

The HEPC partially remedied the grants management problems by hiring a Financial Analyst (February 2007) to assist with grant oversight and by appointing a part-time Vice Chancellor (August 2008). The Financial Analyst developed and implemented several policies to tighten the financial controls of the RHEP grants, including the following:

- *Requirements Governing the Purchase, Management and Disposition of Property and Equipment Purchased with RHEP Administered Funds. Updated equipment schedules were to be included with the FY 07 Audit, with full implementation in FY 08.*
- *Quarterly and Annual Reporting Guidelines (replaced earlier policies). Effective in FY 08, retroactive to 7-1-07.*
- *Project Budget (and Revision) Guidelines (replaced earlier policy). Effective in FY 08, retroactive to 7-1-07.*
- *End of the Year Close-Out Procedures. Effective in FY 07.*

These policies resulted in clearer definitions of allowable expenditures, procedures for returning unspent grant funds, and an up-to-date inventory of property and equipment purchased with RHEP funds. The day to day monitoring and management required to ensure that funds are spent according to the established policies, however, has been delegated to the RHEP Administrative Office and through it to the Lead Agencies. The RHEP Administrative Office has the authority to approve the budgets of the individual Consortia.

Further improvement in accountability for RHEP funds will be hindered by the vague and confusing lines of authority and responsibility referenced in the Suttle & Stalnaker report attached to the Legislative Auditor's Special Report issued 5 June 2009. This report, based on an agreed upon procedures audit commissioned by HEPC and RHEP, found little agreement among the Rural Health Advisory Panel, the RHEP Administrative Office, the Lead Agencies, the Consortium boards, the Site Coordinators, and the HEPC concerning authority and responsibility for the program or for RHEP funds. Finding a solution to the accountability problem will therefore require much more than the development and implementation of grants administration policies. Suttle & Stalnaker recommend that "structure follow the funding responsibility," so that "the legal organization that receives the funding should be responsible for carrying out the program in accordance with the law and the grant agreement...." As stated in our response to the Legislative Auditor's Special Report issued 5 June 2009, we intend to adopt Suttle & Stalnaker's option #3, and manage RHEP funds directly from the state level.

The HEPC believes that a complete reorganization, with clearly defined lines of authority and responsibility, will be necessary to achieve adequate accountability for the program. The Vice Chancellor for Health Sciences has begun discussions with leaders at the WVU Health Sciences Center, the Marshall University School of Medicine, and the West Virginia School of Osteopathic Medicine to establish a new structure for RHEP, with full implementation in FY 2011. The HEPC would have central responsibility for oversight and coordination, but would allocate funding to the medical and health sciences schools. The schools would then be responsible for contracting with community organizations and/or preceptors to accomplish the goals and objectives of the RHEP program within their respective geographic regions. In this way, we can take advantage of the organizational infrastructure already in place at the schools for managing personnel, purchasing, and travel, and for providing oversight of contractors.

HEPC personnel will manage the transition of the program from the RHEP Administrative Office to the medical and health sciences schools. The amount paid to WVU for RHEP administration represents a small fraction of that office's annual budget, and the future of the office and its personnel is entirely within the purview of WVU's Division of Health Sciences. During the transition period, the HEPC will execute a working agreement with the RHEP Administrative Office outlining the duties to be performed.

The Higher Education Policy Commission will expect the health professional training programs to continue working with and obtaining input from communities to improve the recruitment and retention of health professionals in rural areas. We also anticipate focusing the program to those geographic and programmatic areas most in need of assistance. To do this, we will rely on the findings of two studies (in addition to the Suttle & Stalnaker report): 1) West Virginia's Medical Education and Training Programs by Dr. Michael Friedland, and 2) an analysis of the state's physician work force by Dr. Donald Pathman.

COMPLIANCE MATTERS

Chapter 18B, Article 16 of the West Virginia Code generally governs the WVRHEP program. We tested applicable sections of the above plus other applicable chapters, articles and sections of the West Virginia Code, as well as rules and regulations as they pertain to fiscal matters. Our findings are discussed on the following pages of this report.

**WEST VIRGINIA RURAL HEALTH EDUCATION PARTNERSHIPS
PROGRAM**

FINDINGS

Finding 1

Internal Control Weaknesses

Condition:

We found severe oversight deficiencies exist concerning West Virginia Rural Health Education Partnerships (WVRHEP) program grant funds. We found these deficiencies present at the grantees for both consortia we audited in depth and the grantor, the Higher Education Policy Commission (the Commission) on a state-wide level. The areas for concern are broken down into five major points below and then explained in further detail:

- Lack of oversight by the lead agency for the Northern regional consortium.
- Lack of oversight by the former lead agency for the Southern Counties consortium.
- Lack of oversight by the Commission concerning WVRHEP grants.
- No memorandum of agreement (MOA) between the Commission and WVU concerning WVRHEP's Administrative Office in Morgantown.
- Weak Internal controls for the purchase of goods and services by WVRHEP staff of the Northern regional consortium.

We were told by the CFO of Tri County Health Clinic (TCHC), the lead agency and grant recipient of WVRHEP funds for the Northern West Virginia Rural Health Education Center (NWVRHEC), staff of TCHC relies on the Executive Director of the NWVRHEC to ensure State grant funds are being spent in-accordance with the specific grant requirements and TCHC employs no method to accomplish the same. Additionally, we learned not all documentation requires the signature, or proof of approval, of the Executive Director of the NWVRHEC as a condition for payment. What documentation is reviewed bares only the typed name of the Executive Director. In a test of 56 payments, totaling \$47,011.95, made directly to employees as reimbursement for goods those employees purchased in the name of the program, for mileage, for lodging and for per diem and meals, not one contained an actual signature of the Executive Director and 11, totaling \$18,735.68, did not contain even his typed name.

The Grants Compliance Administrator for the Marshall University Research Corporation (MURC) former lead agency for the Southern Counties Consortium (SCC) informed us all invoices received by WVRHEP staff for the SCC were paid, even though sufficient backup documentation may not have been present. MURC only verified the presence of a signature or initials of an SCC site

coordinator and assumed the presence of such signified the expenditure was appropriate for payment with program funds.

WVRHEP program funds are extended to the NWVRHEC and SCC by the Commission. During the course of our audit we learned the Commission does not monitor grantees for compliance with the various grant agreements. The program funds mentioned above, therefore, are not subject to oversight by lead agencies MURC and TCHC or the Commission, and concerning the NWVRHEC are absent verifiable proof they are reviewed in all cases by the Executive Director.

The Commission informed us of a relationship with West Virginia University Health Sciences (WVUHS) in the form of an Administrative Office developed within WVUHS. This office, according to the Commission, is charged with monitoring the day-to-day operations of the program and working with the Commission to oversee and advise. However, the Commission was unable to provide a sufficient, working MOA to state the duties to be performed. As such, we are unable to determine the adequacy of any work currently being performed by the WVRHEP Administrative Office in Morgantown. It should be further noted, during our audit period the Commission paid \$559,600.00 to WVUHS in exchange for the services provided by the Administrative Office, though as a detailed MOA is absent we cannot verify these moneys were due WVUHS. The Commission issued WVRHEP grants during our audit period totaling \$5,833,621.36. Additionally, TCHC received \$1,671,593.00 in grant funds for the WVRHEP program during this same period.

We also learned during our interviews with NWVRHEC staff, some members of NWVRHEC staff are in a position to order goods, receive those goods and remit the documents to TCHC initiating payment without the involvement of any other employee. This scenario combined with the fact the Executive Director does not review all documentation and does not physically sign any documentation and TCHC does not review documentation for relevance to the program's goals underscores severe internal control weaknesses that can enable fraud while greatly lowering the chance of detection. As a result, we cannot verify any documentation submitted to TCHC for payment has been reviewed by a person of authority and responsibility and consider the appropriated funds for the WVRHEP program at high risk for misappropriation due to fraud or negligence.

Criteria:

The West Virginia Rural Health Education Partnerships (WVRHEP) Grant (Affiliation) Agreement Between The West Virginia Higher Education Policy Commission And Tri-County Health Clinic, Inc. a representative of the Northern WV Rural Health Education Consortium, section 7.3 states in part:

"Monitoring: The Commission has a responsibility to monitor activities as necessary to provide reasonable assurance that the Grantee uses these grant funds for intended purposes; complies with laws, regulations and the provisions of contracts and grant agreements; and achieves performance goals."

Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, states in part:

See "PROGRAM GOALS" on pages 10 and 11.

Cause: We were informed by the CFO of TCHC, the lead agency for the NWVRHEC, the largest region of WVRHEP both in funds received and area covered, that TCHC employs no method to ensure the WVRHEP bills that TCHC pays are for goods or services that meet the guidelines set forth in the grant agreements or in West Virginia Code. Additionally, we learned the HEPC practices no method of ensuring those receiving grant funds comply with state laws and regulations. MURC only verified the presence of a signature or initials of an SCC site coordinator and assumed the presence of such signified the expenditure was appropriate for payment with program funds. A current and sufficient contract with the WVRHEP Administrative Office in Morgantown does not exist.

Effect: The Commission issued grants during our audit period for WVRHEP totaling \$5,833,621.36. Additionally, TCHC and SCC received \$1,671,593.00 and \$614,305.36 in grant funds, respectively, for the WVRHEP program during this same period. As a result of a lack of oversight by the Commission, and specifically for the NWVRHEC and SCC regions a combined lack of oversight by both the Commission and lead agencies, we consider the appropriated funds for the WVRHEP program at high risk for misappropriation due to fraud or negligence.

Recommendation: We recommend the Higher Education Policy Commission comply with the monitoring requirements of the WVRHEP program grant agreements and Chapter 18B, Article 16, Section 4, as amended, of the West Virginia State Code and ensure all funds are spent in accordance with the mission and goals of the program as defined by West Virginia Code and the goals and scope defined within the various WVRHEP grant agreements. Further, we recommend if the Commission feels it in the best interest of the program to continue this relationship with WVUHS, a MOA or equivalent is established clearly defining the work required, the term and compensation, as well as any other details the Commission deems pertinent.

HEPC'S Response: *Although unaware of specific instances of misspent funds, HEPC has been concerned about the overall absence of oversight. We have required audited financial statements of the Lead Agencies, including a separate schedule of RHEP funds, and we have developed a new budget format and reporting requirements. During the transition year, we will develop a contract with the RHEP Administrative Office outlining their responsibilities, and we will ask Lead Agencies not to pay invoices from the Consortia unless they are approved by the either the Executive Director or Site Coordinator, as appropriate.*

*RHEP's Administrative
Office Response:*

We agree that this audit has found internal weaknesses that need to be corrected, and we will work diligently with HEPC to see that these weaknesses are addressed. We will work with the HEPC using this audit and the Suttle and Stalnaker report as a guide to develop improved policies, procedures, and management practices at all levels of the organization.

We agree that there is no contract between HEPC and WVU HSC for the administrative services provided by the HSC. We are most willing to work with the HEPC to develop and enter into such contract. The position description specifying the duties of the Executive Director of WVRHEP has been provided to HEPC and is also provided when any updates or changes are made. Annually, the staff of the WVRHEP Administrative Office report on the accomplishments of the 16 specific objectives of the RHI Act of 1991. This summary report of accomplishments is provided to HEPC and is posted to the program's website: [http://www.wvrhepahec.org/Reports/Accomplishment%20of%20original%2016%20RHI%20goals%20updated%202009%20\(2008%20data\)%20ref.asp](http://www.wvrhepahec.org/Reports/Accomplishment%20of%20original%2016%20RHI%20goals%20updated%202009%20(2008%20data)%20ref.asp)

*A hard copy of this report, the Executive Director's position description, the WVRHEP-AHEC administrative office organizational chart, and the organizational chart of the program are included at index tab # 1 in the binder and in the electronic folder "Finding # 1." **(Binder information not included in report, however, it is on file in the Post Audit Division's Office.)***

Response from the CEO of TCHC and NWVRHEC: NWVRHEC has an internal control structure consisting of the distinct governing Board of Directors, Executive Director, Office Manager, and the lead agency's CFO, as well as additional TCHC staff overseeing accounts payable and payroll.

Under our agreement, TCHC employs the NWVRHEC staff whose job descriptions instruct budget oversight and program compliance. Nevertheless, TCHC's CFO attends most NWVRHEC board meeting and receives and reviews all NWVRHEC board minutes. Moreover, TCHC pays invoices only after receipt from the administrative NWVRHEC office. Invoices are reviewed and coded for payment prior to receipt at the TCHC administrative office. Any questionable items are reviewed with the CFO and the NWVRHEC Executive Director for further explanation prior to payment.

Finally, electronic signatures have been approved and authorized by TCHC's auditors as an acceptable practice. This practice saves the program additional expenses for postage and allows for expedited payment of those items.

Finding 2**No Inventory Management**

Condition:

During our audit of the NWVRHEC and the Southern Counties Consortium (SCC) within the WVRHEP program, we learned neither the NWVRHEC nor the SCC maintain a sufficient record of equipment items with detail to make possible the identification of equipment items either purchased during our audit period or acquired prior to. Additionally, we were told the NWVRHEC does not have a formal retirement process for equipment, and no audit trail pertaining to retired items could be identified. As a result, we cannot assure ourselves expended WVRHEP funds of at least \$208,362.63 used by the NWVRHEC and at least \$4,614.31 used by the SCC are benefiting the program as required by West Virginia Code.

Equipment items purchased were not subject to specific requirements for inventory management during our audit period and upon request, a listing of equipment purchased by the NWVRHEC during our audit period was presented that noted 35 items within 22 entries – four entries contained a consolidation of more than one item further prohibiting identification of a singular piece of equipment. According to the list we received, the NWVRHEC equipment inventory of items purchased during our audit period totaled \$69,835.01 in WVRHEP funds. The NWVRHEC has not met the new inventory policies for the recording of assets that have went into effect subsequently .

We also received from the NWVRHEC a cumulative list of equipment items and fixed assets on hand including both items held prior to our audit period and the items purchased during our audit period totaling \$208,362.63 in WVRHEP funds. We noted the cumulative list did not contain some of the items given to use on the list of items purchased during our audit period. Additionally, in instances where both lists reconciled in item descriptions and dates purchased, total dollar amounts spent were not consistent. Lastly, the cumulative list did not note the number of items included in each entry in all cases so the total number of items possessed cannot be determined.

We requested and were provided a listing of equipment with a value of \$1,000 or more purchased by the SCC. This listing, however, included computers only. Using the listing, we attempted to locate the inventory items at their physical location. Of the seven computers listed, we were unable to locate two as follows:

<u>Description</u>	<u>ID #</u>	<u>Serial No.</u>	<u>Acquisition Date</u>	<u>Original Cost</u>
Gateway Laptop Computer	29602406	Could not determine.	02/01/2003	\$2,799.31
Dell Optiplex GL270 Desktop	1CS1741	MXK5160446	02/26/2004	<u>1,815.00</u>
			Total	\$4,614.31

According to personnel, the Gateway laptop had been damage beyond repair. The item was not available for us to view and no documentation was provided which would allow us to determine the disposal method. Personnel informed us the Dell Optiplex computer had been abandoned at Boone Memorial Hospital when the lead agency was changed to Marshall University Research Corporation (MURC).

Additionally, during our attempt to locate the items listed on the inventory listing, we located two computers which were not listed on the inventory listing. These computers included a Dell Optiplex GL270 desktop and a Compaq Presario.

The SCC was unable to provide us with any written policy, either internal or issued by the HEPC, on the management and disposition of inventory. The SCC was also unable to indicate a physical verification of inventory had been taken place at any time during our audit period. Equipment items are not tagged for future identification when acquired.

Criteria: Section nine of the grant agreement between HEPC and MURC states, in part:

“The ‘Lead Agency’ agrees to keep separate records of all receipts and expenditures under this agreement, to keep and make available to the ‘Commission’, or its designees, all expenditure source documents as may be reasonable and appropriately required, and to provide periodic financial reports regarding the receipt and disbursement of funds under this agreement, . . .”

Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, states in part:

See “PROGRAM GOALS” on pages 10 and 11.

Cause: The WVRHEP program did not have state-wide policies for the management of inventory during our audit period. The NWVRHEC has not followed, consistently, those implemented subsequently for inventorying assets.

Effect: We are unable to ascertain whether all equipment purchased by the NWVRHEC and the SCC is being used by the WVRHEP program and assure ourselves of no misappropriation of property by program staff. As a result, we have no guarantee the goals and mission of the program are being meet in conjunction with the funding used for equipment and fixed assets.

Recommendation: We recommend the Higher Education Policy Commission comply with the monitoring requirements of the WVRHEP program grant agreements and Chapter 18B, Article 16, Section 4, as amended, of the West Virginia State Code and ensure all funds are spent in accordance with the mission and goals of the program as defined by West Virginia Code and the goals and scope defined

within the various WVRHEP grant agreements. We further recommend program-wide inventory management policies be implemented and followed to protect the investment of the State.

HEPC'S Response: Although unaware of any specific instances of misspent funds or misappropriated equipment, HEPC has been concerned about the overall absence of oversight. The HEPC has established a policy for purchase, management, and disposition of property and equipment, which requires an updated equipment schedule to be included with the Lead Agency's audit. The HEPC was made aware in the Suttle & Stalnaker report that there are still issues to be addressed in the disposition of property and equipment acquired with RHEP funds, particularly in the case of real estate titled to the Lead Agency. We will expect the staff of the RHEP Administrative Office to do a final, physical inventory of property and equipment prior to the transfer of administrative responsibilities to the medical schools.

*RHEP's Administrative Office Response: The WVRHEP program does have a statewide policy that governs the purchase, inventory, and disposition of assets and this is included in hard copy at index tab # 2 in the binder and as in electronic folder "Finding # 2". **(Binder information not included in report, however, it is on file in the Post Audit Division's Office.)** The current policy was developed and put into effect August 13, 2007. This policy is a great improvement over our previous policy and system. The current policy includes an updated equipment and asset schedule that is to be included with each consortia annual audit. This is the policy that applies to the purchase, inventory maintenance, and disposition of all equipment and assets in all consortia. This audit and findings has illuminated the need for more enforcement of the policy across the program.*

*Prior to the current WVRHEP policy 2007-02, the Executive Director of WVRHEP was acutely aware of the lack of policy to maintain sufficient record of equipment purchased with WVRHEP funds. The Executive Director worked with the previous Chancellor of HEPC and the General Counsel to address this issue in 2003. The Administrative Office of WVRHEP drafted an addendum to the WVRHEP agreement and Notice of Grant Award that was present to HEPC General Counsel via e-mail on July 2, 2003 (see e-mails dated 7-2-03 in tab # 2 and electronic file "Finding # 2). **(Binder Information not included in report, however, it is on file in the Post Audit Division's Office.)** Approval from HEPC General Counsel was received on July 8, 2003 and Chancellor Michael Mullen on July 2, 2003 and the addendum was incorporated into the WVRHEP agreements. Appendix D "Capital Assets Inventory List" was included with the addendum. The list included assets with a purchase price greater than \$1,000. The addendum incorporated the Higher Education Useful Life for Capital Assets. An asset that had expended its useful life was considered to be fully vested with the Lead Agency. Lead Agencies were asked to review the inventory list annually and show acquisition and disposal of equipment as necessary. The process was continued until FY 2007 when the HEPC Fiscal Analyst developed an improved*

policy and new equipment schedule. A copy of the agreement and Notice of Grant Award with addendum and Capital Assets Schedule for Southern Counties Consortium for Fiscal Year 2004 is included in hard copy at index tab #2 and in electronic folder "Finding # 2". **(Binder Information not included in report, however, it is on file in the Post Audit Division's Office.)**

This policy is located on the program website with all other fiscal policies at <http://www.wvrhepahec.org/Policies/financialpolicies.asp>

The Site Coordinator for Wyoming, Mingo, and McDowell Counties does not recall being asked for a Property Inventory Schedule and we are uncertain of the Property Inventory Schedule being used for the above referenced finding. The Property Inventory Schedule displaying the equipment in question is attached. **(Binder information not included in report, however, it is on file in the Post Audit Division's Office.)** The reason that the only equipment listed is computers is because computers are the only equipment that SCC has purchased valued at more than \$1,000. The two computers listed on the above chart and referenced in Paragraph 3 as "unable to locate," are recorded on the Property Inventory Schedule. The Gateway laptop ID# 29602406 was damaged. The Site Coordinator for Boone and Logan Counties worked with the HEPC Fiscal Analyst to complete the HEPC Property and Equipment Disposition Form. A copy of this completed form is attached. **(Binder information not included in report, however, it is on file in the Post Audit Division's Office.)** We suspect that the Property Inventory Schedule provided to the auditors by the Site Coordinator in Boone County was incorrect, as the ID# ICS1741 listed on the chart above, is in fact the Optiplex GL 270 ID# ICS1741 located at the Pineville Children's Clinic site. The Dell Optiplex Desktop ID# HBS1741 was moved from Boone Memorial Hospital and is located at Kermit Family Practice in Mingo County and is used by the preceptor and students who complete rotations at this site. The Dell Optiplex was not abandoned at Boone Memorial Hospital and the personnel who reported this and made this statement was incorrect.

In paragraph 4 the two computers not listed on the inventory list used by the auditors in reference to this finding include a Compaq Presario. This computer is used in the student housing in Boone and the purchase price was less than \$1,000.00 and this is why it was not included on the list. The other computer listed as not located is the Optiplex GL 270 ID# ICS1741 located at the Pineville Children's Clinic site.

The SCC has purchased 3 Optiplex Dell Desktop computers and all three are accounted for at these locations: (1) Optiplex GL 270 ID# 1CS1741 at Pineville Children's; (2) Optiplex GL 270 ID # BBNL281 for the WVRHEP Support Staff at the Boone County Health Department office location; and (3) Optiplex GL 270 ID# HBS1741 for preceptor and students at the Kermit Family Practice, Dr. J. D. Endicott's office on Main Street, Kermit, WV.

Response from TCHC CEO and NWVRHEC regarding Finding # 2: With regard to this Finding, I (TCHC CEO) would inform you that the Legislative Auditors reviewed internal accounting system reports and did not request a separate or detailed equipment list from the TCHC staff during the audit. Nevertheless, an equipment list has been submitted with each year end audit. Further, where dollar amounts were inconsistent between the accounting system and the equipment list provided by NWVRHEC's Executive Director, this inconsistency can be attributed to the fact that the accounting system included costs for shipping/handling, whereas the equipment list provided by the Executive Director only listed the specific cost of the equipment item. Similarly, expenditure source documents were not requested from the TCHC staff. Had these documents been requested, they would have been provided. In fact, we would be more than willing to furnish these documents directly to your office if you would like to review them.

Finding 3**Unsupported Expenditures**

Condition:

During our audit of the NWRHEC within the WVRHEP program, we noted 49 occurrences of inadequate documentation to support an expenditure. As a result, we were unable to determine whether these expenditures benefited the program according to the guidelines set-forth in both WV Code and the various grant agreements. These expenditures, made by TCHC with grant funds issued by the HEPC, totaled \$138,087.42 and consisted of both payments to vendors for goods and/or services as well as reimbursements for goods and/or services to NWRHEC staff.

Though many transactions may, on the surface, appear to have valid purposes and be for legitimate program goals the details and documentation was not provided to allow us to come to that conclusion.

The following is a list of the 10 instances that resulted in the highest totals:

<u>Vendor</u>	<u>Amount</u>	<u>Service/Good</u>
Community Health Network of WV	\$40,000.00	Unnamed project fund to be administered.
Amazon.com	\$16,842.50	Materials for a Med. Library
Dell Financial	\$14,414.93	Laptops for preceptors (Doctors)
Greenbranch Publishing LLC	\$10,107.00	Medical Business Mgmt. Materials
Community Health Network of WV	\$8,000.00	Recruitment and Retention
Calhoun Co. Board of Education	\$7,980.00	Computers exchanged for a presentation.
Altman Inc.	\$6,314.00	Printer
Circuit City	\$5,701.57	PDAs, Cameras, IPOD, other electronics
Center for Strategic Innovation	\$5,000.00	Curriculum development
New Horizons of WV	\$5,000.00	Curriculum development

We were told by the Executive Director of the NWVRHEC all purchases are made in accordance with the definitions of the various line items for which funds are budgeted each year. The line item descriptions, we found upon review, are vague and seem to extend liberties not afforded in the governing sections of West Virginia Code. We were informed by the Commission the line items were developed by the Commission with strong input from WVRHEP Administrative Staff. The Commission went on to state *"...the line items on the budget are reasonable line items for the mission of this program. However, the type of expenditures posted to these line items may not always be appropriate."*

Criteria: Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, states in part:

See "PROGRAM GOALS" on pages 10 and 11.

Cause: The lead agency for the NWVRHEC, TCHC, does not practice oversight of grant funds and ensure the funds are encumbered by NWVRHEC in compliance with the grant agreements between TCHC and the HEPC. As a result, TCHC was unable to provide sufficient documentation to allow for reasonable assurance the expenditures noted meet the requirements placed on the grant funds TCHC has accepted.

Effect: We were unable to determine whether these expenditures benefited the program according to the guidelines set-forth in both WV Code and the various grant agreements. These expenditures, made by TCHC with grant funds issued by the HEPC, totaled \$138,087.42 and consisted of both payments to vendors for goods and/or services as well as reimbursements for goods and/or services to NWVRHEC staff.

Recommendation: We recommend the Higher Education Policy Commission comply with Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, and ensure all grant recipients expend funds in a manner so as to meet the goals of the WVRHEP program.

HEPC's Response: Although unaware of specific instances of poorly documented payments and reimbursement, HEPC has been concerned about the overall absence of oversight. The HEPC agrees that the line item descriptions in RHEP budget policies need further clarification. The financial analyst worked with the RHEP Administrative office to change the budget format and reporting, but left the existing line items as is, pending a review by the Suttle & Stalnaker firm. The HEPC commissioned a study of the mission and structure of RHEP and internal control weaknesses, with the expectation that once these issues are addressed, further work would be needed, e.g., definitions of what can and cannot be paid under the line-item categories. During the transition year, we will expect Lead

Agencies to apply the same standards of documentation that they use with their other sources of funding, and to refuse to pay invoices or reimburse employees until such documentation is provided.

*RHEP's Administrative
Office Response:*

Throughout WVRHEP's history, the State Rural Health Advisory Panel, its Finance Committee, and administration have worked with the different leadership approaches and philosophies regarding budget approaches to line item definitions represented within the HEPC. As these have changed, WVRHEP has adapted. The current policy developed by the HEPC Fiscal Analyst and WVRHEP administration has been the most comprehensive and the best approach to standardizing the budgeting process and other financial management policies to date. This has been a welcomed change and has greatly increased compliance and efficiencies. These policies include: End of Year Close Out Procedure; Purchase, Management and disposition of property and equipment; Project Budget Guidelines; and Quarterly and Annual Report Guidelines. This audit has indicated the need to address the application of these policies across the program. This policy and others are on the website and included in hard and electronic copy.

<http://www.wvrhepahec.org/Policies/financialpolicies.asp>

Response from the CEO of TCHC and NWVRHEC: Contrary to the suggestion in this Finding, TCHC was never asked or required to provide "detailed documentation" on each invoice by the Legislative Auditors. The detail and approval provided from the NWVRHEC staff is appropriate and sufficient with TCHC accounting procedures. Again, any questionable items are reviewed by TCHC's CFO and/or NWVRHEC's Executive Director for clarification prior to the payment. It is not normal practice to require or expect "detailed documentation" for every invoice, especially for routine expenditures.

The items listed in this Finding had legitimate program purposes, and, as noted in the Report, the Executive Director stated that all purchases were made in accordance with the definitions of the budget line items provided by HEPC. As mentioned above, TCHC feels confident that it does practice oversight of grant funds by means of sufficient internal control structures, the presence of its CFO at NWVRHEC's Board meetings (as well as at State RHEP finance committee meetings), and the receiving and reviewing of NWVRHEC's Board minutes.

No requests for additional documentation was received from the Legislative Auditors, and no examples or suggestions of "detailed documentation" or "sufficient documentation" was provided during this Audit. When appropriate for the expenditure, contracts were in place with the vendors, and those contracts were provided to the Legislative Auditors for their review.

Finding 4 **No Safety Evaluations of Student Housing**

Condition: In order for students participating in the WVRHEP program to overcome the logistical problems of completing rotations in the rural parts of the State, the WVRHEP program leases housing in several rural locations near medical facilities. According to WVRHEP policy 94-01 *“Housing which meets public health and fire and life safety standards are to be available for students.”* However, we learned through interviews with WVRHEP and HEPC administration and support staff there are no formal evaluations made of the living conditions of leased housing now or during our audit period. Additionally, the Executive Director of the Northern West Virginia Rural Health Education Center advocated less than pristine conditions and stated substandard housing affords students the opportunity to “empathize” with citizens in rural areas and in areas they, themselves, may live at some point if they take a position in a rural area.

Criteria: WVRHEP Policy 1994-01 “Minimum requirements for student rural rotations, and Requirements for school based student orientations” states in part:

“Housing which meets public health and fire and life safety standards are to be available for students.”

Cause: Staff members informed us no formal evaluations of rental property for students were made during our audit period or subsequently.

Effect: As a result of the inability of the program and of responsible individuals to provide any evidence the housing provided to students during our audit period, and currently being provided, meets the WVRHEP’s requirements we are unable to determine whether any of the \$175,717.66 paid by the NWVRHEC or the \$68,574.41 paid by the SCC towards housing and utilities was paid in accordance with the grant agreements governing said funds and applicable state rules and regulations. The WV Board of Risk & Insurance Management (BRIM) covers the students while in these facilities and the state may risk being cited in litigation were it proven the WVRHEP was negligent in assessing the safety of rental property.

Recommendation: We recommend the WVRHEP program comply with the grant agreements and their own internal policies and procedures and ensure all student housing meets the requirements stipulated in WVRHEP Policy 94-01.

HEPC’s Response: *Although unaware of specific instances of unsafe housing, HEPC has been concerned about the quality and quantity of housing and about the absence of oversight. An existing RHEP policy clearly states that housing made available for students will meet “public health and fire and life safety standards.” Once the medical schools are responsible for administering the program, their property management offices can negotiate arrangements and manage risk associated with housing. In the interim, we will ask the RHEP Administrative Office to*

evaluate current rental agreements and make sure that risk and legal liability are appropriately managed. We will further instruct the Site Coordinators and Lead Agencies not to commit themselves to leases extending beyond 30 June 2010, and to be sure that all leases include cancellation clauses.

*RHEP's Administrative
Office Response:*

On March 9, 2009, the WVRHEP Associate Director provided a response to an auditor question about information on how we assure that housing is adequate for students regarding fire and life safety issues. She responded that a check list provided by BRIM was used regarding rental units for housing students while on rotation. This check list is provided in hard copy and electronic file. When the program first began, the Deputy Fire Marshal based at WVU inspected all housing with each individual site coordinator at the sites and reviewed with each of them the state regulations and what issues to look for when acquiring new housing. These inspections focused on safety precautions as well as adequacy of space for the number and gender of students to be housed in specific units. Sample lease and checklist information from BRIM are also included as ways that housing is assured to meet all standards. We have never been notified by any state agency that this is not an adequate method and we are very willing to improve this procedure to continue to protect the safety and well-being of the students while on rotation.

Response from CEO of TCHC and NWVRHEC: NWVRHEC utilizes the BRIM safety/housing checklist for all student housing locations. NWVRHEC utilizes Form RMI-20 (11-98), as required by the West Virginia Board of Risk Insurance Management. The form is on file for all student housing and office locations to ensure "public health and fire and life safety standards." The form serves as formal evaluation of living conditions for all students involved with NWVRHEC housing. Site coordinators were instructed by the Deputy Fire Marshall at West Virginia University in assessment of safety and housing issues, and the BRIM checklist was then implemented for use in housing evaluations. The Executive Director does not advocate substandard housing or less than pristine conditions for student housing.

Finding 5

Inadequate Procedures Governing Student Housing Rental Contracts

Condition:

During our audit we noted the procedures for contractual rental agreements for student housing in both the NWRHEC and the SCC were inadequate to prevent improper use of funds.

During interviews with personnel of TCHC, lead agency for the NWRHEC, we learned TCHC does not always receive original copies of rental agreements for student housing. Additionally, we were told in some instances TCHC may not receive the agreement at all, only the terms via email from the Site Coordinator who arranged the agreement. Lastly, we were told that though the agreements state a lease term of one year, the lease is assumed to be extended by TCHC unless communication is received from a Site Coordinator stating otherwise and, as a result, payments will continue to be made after one year unless said communication is received.

During our test of rent and lease agreements for the SCC, we tested seven transactions related to a lease with Lessor #1 for student housing. We noted a one year lease initiated in 1996 still being utilized though no extension document could be produced. The amount being invoiced per month during our audit period was \$525.00, which is more than the stated amount of \$500.00 in the initial lease agreement. This lease was not updated to reflect the \$25.00 increase in rent, the change in the lead agencies from Boone Memorial Hospital to MURC in 1997 or the length and active nature of the agreement. We also noted the blanket purchase order utilized by MURC for fiscal year 2006 states the apartment would be rented on a monthly basis but does not state the rent per month or inclusions. MURC paid rent to Lessor #1 totaling \$6,300.00 in fiscal year 2006 and \$6,300.00 in fiscal year 2007.

Additionally, concerning the SCC, we noted six transactions related to a rental property with Lessor #2 for student housing, which did not have a written agreement in effect specifying the amount of rent or responsibility for insurance, utilities, etc. The amounts paid on this lease totaled \$7,200.00 in fiscal year 2006 and \$7,200.00 in fiscal year 2007.

Criteria:

Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, states in part:

See "PROGRAM GOALS" on pages 10 and 11.

Cause:

TCHC staff did not require the submission of a rental agreement to support payments remitted. Additionally, TCHC did not verify agreement extensions subsequent to the end of the initial lease period. The Finance Director for MURC stated MURC's responsibility for leases was limited to the payment of the invoices when they were received and approved for payment.

Effect: We are unable to determine if the total of \$175,717.66 expended for student housing within the NWVRHEC was remitted for valid, active contracts. Additionally, we cannot determine if \$27,000.00 expended for student housing within the SCC was due the lessor. Therefore, we cannot assure ourselves all funds expended met the mission and goals of the program as defined by code.

Recommendation: We recommend the Higher Education Policy Commission comply with Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, and ensure all grant recipients expend funds in a manner so as to meet the goals of the WVRHEP program.

HEPC's Response: *Although unaware of specific instances of poorly documented rental agreements, HEPC has been concerned about the quality and quantity of housing and about the absence of oversight. The HEPC Financial Analyst has established a reporting mechanism for the availability and use of student housing. In some cases, it appears that rental housing has been underutilized by students. The HEPC will address this issue when making structural changes in RHEP and will consider other options for student housing which would not involve leasing of property. We anticipate terminating existing leases over the course of the transition year.*

RHEP's Administrative
Office Response:

The \$27,000 in rental payments cited by the auditors for the SCC are the rental payments for leased housing in Pineville in Wyoming County and housing in Boone County and are accurate. In the case of the Pineville lease the original rental amount was \$500 per month. The lessor agreed to clean the housing for an additional \$25.00 per month to which SCC agreed. SCC agrees that there is no documentation regarding this agreement and that the payment amounts are correct. In the Boone County housing there was a period of six months in which the lease was on a month to month basis, which under West Virginia law, is permitted after the term of the agreement, until expressly terminated by either party. This six month period without a signed lease was caused by the switch of lead agencies for SCC and the development of the new lease agreements with WVU RC, the lessor being unavailable, and other logistical issues. In both cases, the invoices, payments, and quarterly reports indicate that the names on the leases for the lessor and the name on the invoices and the parties to whom the payment were made are the same individuals. WVU RC has worked diligently with SCC to correct and re do all the leases in the SCC and these leases currently reflect the accurate terms of agreement

Response by CEO of TCHC and NWVRHEC: TCHC does not require that the TCHC administrative office receive original lease documents. Those documents are kept at the administrative offices of NWVRHEC, which makes sense since it is NWVRHEC that would be called if there were a rental issue. It not only is appropriate and sufficient for the NWVRHEC staff to maintain the housing rental contracts at their office, but it was appropriate for the Site Coordinators and/or the Executive Director to verbally or electronically communicate the ongoing

contract arrangements with TCHC's accounts payable staff. Contrary to the suggestion of the Auditors, I do not believe the Housing Rental Contracts referenced in the Report terminate simply because the term is expired. Rather these contracts are governed like all other leases, and, under West Virginia law, these contracts extend on a month-to-month basis after the term of the agreement, until expressly terminated by either party. As such, the continued occupation of the rental property by program students would dictate continued rental payments, until such time as the contract was either properly terminated or revised by way of a new written document. Thus, I believe that appropriate accounting procedures were/are being followed in the payment of these lease expenditures.

TCHC's CFO and/or accounts payable staff do not verify agreement extensions. Rather, those Housing Rental Contracts are renewed annually for each location by the NWVRHEC staff, and those renewals are communicated to the TCHC administrative office.

Finding 6 Unsupported Travel Reimbursement

Condition: During our audit of the NWVRHEC within the WVRHEP program, we noted 18 reimbursements to staff for mileage expenditures in excess what was due by a cumulative total of \$444.52. We were told by the Executive Director that though the official policy of the NWVRHEC is to reimburse mileage at the State rate, it is easier to determine the active Federal rate; therefore, the Federal rate is what is now used. No official change to the policy, however, was ever made.

We also noted two instances, totaling \$448.88, where a staff member reimbursed the lead agency, TCHC, with no documentation to explain the payment, and one instance where an employee was reimbursed for a hotel room meal totaling \$34.00 on the same day the individual claimed \$30.00 in per diem.

Criteria: Northern West Virginia Rural Health Education Center – Travel Guidelines, states in part:

“Mileage will be paid at the state mileage rate.”

and

“Per diem of \$30.00 per day will be reimbursed for meals only if travel is overnight.”

Cause: The Executive Director of the NWVRHEC informed us the NWVRHEC used the Federal mileage rate instead of the State rate required by policy, because the Federal rate is easier to find. The hotel receipt including a meal purchase was not properly reviewed to exclude the amount of the meal in lieu of per diem.

Effect: Mileage and one meal were paid in excess what was due and the program lost the benefit of the \$478.52 in overpaid reimbursement. Additionally, a total of \$448.88 was credited to TCHC, combined from two employees, with no indication the employee’s owed this amount to TCHC.

Recommendation: We recommend the Higher Education Policy Commission comply with Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, and ensure all grant recipients expend funds in a manner so as to meet the goals of the WVRHEP program.

HEPC’s Response: *Although unaware of any specific instances of inappropriate reimbursement for travel, HEPC has been concerned about the absence of oversight of RHEP grant funds. Policy 2008-01 clearly states that budgeting for travel “should be based upon projected expenses allowable per the Lead Agency’s travel and development policy.” HEPC will instruct Lead Agencies to reimburse RHEP employees only according to the travel guidelines of the Lead Agency, with respect to both the level of reimbursement and the documentation required. In*

the future, the HEPC believes this issue can be addressed through restructuring of RHEP. The medical and health sciences schools have the infrastructure in place for managing personnel, purchasing, travel, and oversight of subgrantees and contractors. The schools can ensure adherence to state travel guidelines.

*RHEP's Administrative
Office Response:*

Response from TCHC CEO and NWVRHEC: NWVRHEC follows TCHC's mileage reimbursement policy, which in turn mirrors the Federal Standard Mileage Rate. The Auditor's statement that "NWVRHEC used the Federal mileage rate instead of the State rate...because the Federal rate is easier to find" was taken out of context. NWVRHEC uses the Federal rate of reimbursement because it follows TCHC's policy of reimbursement. Accordingly, it is anticipated that NWVRHEC's Board policy dictating the utilization of the State reimbursement rate will be revised to be consistent with the TCHC policy.

The two instances of employee reimbursements to the lead agency have been properly documented. This documentation was not requested by the Legislative Auditors. It would have been provided upon such request, and it could be provided now.

Finding 7**WVRHEP Funds Used As Rewards, Gifts and Prizes**

Condition:

During our audit of the NWVRHEC within the WVRHEP program, we noted 14 expenditures, totaling \$1,682.19, categorized in the accounting records of the lead agency, TCHC, as varying forms of gifts. Of the 14 expenditures, 10 were made by the same Site Coordinator.

The following is a breakdown of the 14 gift purchases:

<u>Coordinator's Location</u>	<u>Amount</u>	<u>Purpose listed</u>
Glennville	\$1,015.31	Bike prizes for elementary school students (CARDIAC).
Glennville	\$107.21	Bike helmets for elementary school students (CARDIAC).
Gassaway	\$59.56	Thank you gifts.
Cameron	\$75.00	Gifts for board members.
Cameron	\$22.33	Thank you gifts. (CARDIAC)
Cameron	\$15.87	Thank you cards (office).
Cameron	\$24.40	Thank you cards (office).
Cameron	\$36.37	Gifts for "Baby Safety Shower"
Cameron	\$34.45	Christmas gifts for board members.
Cameron	\$23.32	Christmas gifts for board members.
Cameron	\$98.39	Gifts to preceptors
Cameron	\$116.05	Cookie boxes for preceptors.
Cameron	\$28.93	Mileage for gift delivery.
Rock Cave	\$25.00	Gift card to student in exchange for student's help packing.

Criteria:

Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, states in part:

See "PROGRAM GOALS" on pages 10 and 11.

Cause: The lead agency for the NWVRHEC, TCHC, does not practice oversight of grant funds and ensure the funds are encumbered by NWVRHEC in compliance with the grant agreements between TCHC and the HEPC. As a result, TCHC was unable to provide sufficient documentation to allow for reasonable assurance the expenditures noted meet the requirements placed on the grant funds TCHC has accepted.

Effect: We were unable to determine these expenditures benefited the program according to the guidelines set-forth in both WV Code and the various grant agreements. These expenditures, reimbursed to NWVRHEC staff by TCHC with grant funds issued by the HEPC, totaled \$1,682.19.

Recommendation: We recommend the Higher Education Policy Commission comply with Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, and ensure all grant recipients expend funds in a manner so as to meet the goals of the WVRHEP program.

HEPC's Response: The HEPC has not authorized the use of RHEP funds for rewards, gifts, and prizes, and we will inform Lead Agencies not to pay or reimburse for these expenditures.

RHEP's Administrative Office Response: These gifts in question were provided as a program benefit to thank community volunteers for their participation and support of the program. The first two items were used as incentives for students in fifth grade classes as incentives for their participation in the CARDIAC project.

Response from the CEO of TCHC and NWVRHEC: The detail and approval provided from the NWVRHEC staff is appropriate, sufficient, and consistent with TCHC accounting procedures. Again, any questionable items are reviewed by the CFO and/or Executive Director for clarification prior to payment. The listed items had legitimate program purposes and were approved by the Executive Director. As mentioned above, TCHC practices oversight of grant funds through sufficient internal control structures, in addition to the CFO attending board meetings, receiving and reviewing board minutes and attending State RHEP finance committee meetings. Upon request NWVRHEC provided sufficient documentation that allowed reasonable assurance that the expenditures noted meet the requirements placed on the grant funds.

Finding 8

Raises Given Absent Proper Approval Documentation

Condition:

While conducting a payroll test, we noted no raises given to WVRHEP staff were properly supported with evidence the Consortium Board of the NWVRHEC approved them. The payroll administrator for TCHC provided us only emails from the Executive Director of the NWVRHEC stating raises were to be given. Though paid with Federal Rural Health fund, it should be noted the executive director also authorized his own salary increases of \$14,500 and \$3,500 during our audit period.

The Executive Director informed TCHC to award the following increases for fiscal years 2006 through 2008. One employee was given a \$14,500 increase in fiscal year 2006. Four employees were awarded salary increases in fiscal year 2007, ranging between \$603.20 and \$3,500 and totaling \$8,603. Finally, in fiscal year 2008 one employee received a salary increase for \$316.68. Therefore, raises totaling \$23,419.68 were processed by the Payroll Administrator without receiving documented Board approval.

Criteria:

According to the West Virginia Rural Health Partnership's Faculty and Staff Guidelines:

"The WVRHEP state level Advisory Panel and staff will not establish salary and selection policies for consortium level field faculty and staff. These policies must be established at the discretion of each consortium. (*Emphasis Added*) However, the following are guidelines for the establishment of consortium level faculty and staff salary and selection policies.

- Care should be taken to ensure that decisions regarding salary and selection policies are made with input from the consortium's full membership.
- Salary and selection policies should be approved by a majority of the consortium's full membership.
- As part of the selection process, field faculty must be interviewed and/or have their credentials reviewed and approved by the school from which they will have a faculty."

Cause:

The Executive Director of the NWVRHEC did not provide, and TCHC did not require, documentation to indicate the salaries given to WVRHEP staff were properly approved by the NWVRHEC board.

Effect:

Without the documentation indicating salaries were approved by members of the board we cannot assure ourselves the salary increases were given in accordance with WVRHEP Policies and Procedures.

Recommendation: We recommend the Higher Education Policy Commission ensure WVRHEP funds are spent in accordance with WVRHEP Policies and Procedures and that salary increases are awarded accordingly.

HEPC's Response: *The HEPC has not authorized the payment of salary raises to RHEP employees without approval of the Consortium Board. The HEPC has not interfered with the personnel policies of the Lead Agency with respect to salaries, benefits, pay raises, or leave. We will inform the Lead Agencies that RHEP employees should receive raises and be given leave within the framework of the Lead Agency's personnel policies, and that in no case should salaries be paid to RHEP employees without signed authorization from the Consortium Board President.*

RHEP's Administrative Office Response:

Response from CEO of TCHC and NWVRHEC: TCHC was not asked to provide documentation of Board-approved pay increases. If requested, documentation would have been provided. The payroll administrator at TCHC is not responsible for ensuring approval of any NWVRHEC raises by their Board of Directors. Rather, the payroll administrator works under the direction of TCHC's CFO and is not responsible for verifying or maintaining copies of NWVRHEC's Board minutes approving pay increases. TCHC's CFO does require and is provided with such documentation (i.e., NWVRHEC Board of Directors minutes relating to NWVRHEC staff raises). This information is then passed to the payroll administrator prior to payment.

Specific pay increase documentation may be sent to the payroll administrator from the NWVRHEC Executive Director for informational purposes. However, the CFO gives oversight to those increases after verification through Board minutes. To be clear, NWVRHEC's Executive Director has no authority to authorize his own salary increases. Those increases are approved by the NWVRHEC Board of Directors. It also should be noted that the Executive Director's salary is paid with Federal funds and not State RHEP funds which were the subject of this Legislative Audit.

NWVRHEC follows the NWVRHEC Board of Directors' approved tiered salary table in issuing normal pay increases for staff. TCHC accepts the Board's approved tiered salary table as authorization for pay increases that fall under those instances. Any increases outside those instances require specific Board approval and documentation through Board minutes.

Finding 9 Inadequate Leave Procedures

Condition: During interviews with SCC staff we learned, subsequent to West Virginia University Research Corporation (WVURC) becoming the lead agency for the SCC, staff members are not required to take leave for time missed in a work day when the time missed is less than 4.0 work hours, cumulatively.

The Associate Director of the WVRHEP Administrative Office, who also serves as direct supervisor for the staff of the SCC, informed us it is the policy of the WVURC to not require the submission of leave when off work for less than 4.0 hours during the work day. As with other regions, the SCC staff follows the policies of their lead agency.

The Associate Director’s base of operations is in Rainelle, WV and the staff of the SCC is located within Boone and Wyoming Counties. When questioned, the Associate Director said unlikely, she cannot with certainty say staff of the SCC do not take advantage of the aforementioned policy as she does not contact staff every day. Considering the distance between the supervisor and the staff of the SCC and the details of the policy, we cannot assure ourselves the staff are dedicating the necessary time to the performance of their job duties in exchange for the salary and benefits they are provided.

Criteria: Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, states in part:

See “PROGRAM GOALS” on pages 10 and 11.

Cause: The leave policy of the lead agency and logistics of the parties involved create an environment for the abuse of leave.

Effect: WVRHEP funds may be used to pay salaries and benefits not earned in full.

Recommendation: We recommend the Higher Education Policy Commission comply with Chapter 18B, Article 16, Section 4 of the West Virginia Code, as amended, and ensure all grant recipients expend funds in a manner so as to meet the goals of the WVRHEP program.

HEPC’s Response: The HEPC was unaware of the Lead Agency’s policy for allowing undocumented time away from work for less than 4 hours per day. Although the HEPC does not interfere in the personnel policies of the Lead Agency, this policy does not seem reasonable, particularly in light of the distance between the supervisor and the RHEP staff at the consortium in question. We believe that transition to oversight by the medical and health sciences schools will ensure adherence to state leave policies.

RHEP's Administrative
Office Response:

Response provided by the WVU RC: The West Virginia University Research Corporation (WVURC) leave procedures are outlined in the attached document, West Virginia University Research Corporation Wage, Time & Attendance Issues. All WVURC employees in the Southern Counties Consortium (SCC) are full-time, exempt employees. **(Binder information not included in report, however, it is on file in the Post Audit Division's Office.)**

Consistent with the Fair Labor Standards Act (FLSA), which prescribes standards for the basic minimum wage and overtime pay and related record keeping requirements affecting most private and public employment, the WVURC maintains the following records for each covered, nonexempt worker:

Employee's full name, as used for social security purposes, and on the same record, the employee's identifying symbol or number if such is used in place of name on any time, work, or payroll records; Home Address, including zip code; Birth date, if younger than 19; Sex; Occupation; Time and day of week when employee's workweek begins. Hours worked each day and total hours worked each workweek; Basis on which employee's wages are paid; Regular hourly pay rate; Total daily or weekly straight-time earnings; Total overtime earnings for the workweek; All additions to or deductions from the employee's wages; Total wages paid each pay period; Date of payment and the pay period covered by the payment.

FLSA requires hour-by-hour accounting of non-exempt employee time worked. As outlined in the referenced procedure, total daily or weekly straight-time, and overtime earnings for the workweek are recorded for nonexempt employees on an individual time sheet, and electronically submitted to the WVURC HR Office. A hard copy version is signed by the supervisor and employee, and is faxed or mailed to the WVURC HR Office. This does not apply to WVURC employees working in the SCC.

Consistent with US Department of Labor guidelines, exempt employees may experience variable hours to accomplish the work expected of their employment role. Therefore, exempt employees are not paid hour-by-hour, rather they are paid a standard wage for work expected. Thus, time sheets are not required or recommended to be maintained for exempt employee work hours. Maintenance of time sheets for exempt employees can result in loss of exemption status. Still, consistent with FLSA, the WVURC does maintain the following records for each exempt worker:

Name
Home Address, including zip code;
Birth date, if younger than 19;
Sex;
Occupation;
Time and day of week when employee's workweek begins; Total wages paid each pay period; Date of payment and the pay period covered by the payment.
These records are available for WVURC employees working in the WVRHEP SCC.

The FLSA does not require payment for time not worked, such as personal leave, vacations, sick leave, or federal or other holidays. These benefits are generally a matter of agreement between an employer and an employee.

*The WVURC does provide full-time employees paid time off (PTO) benefits. The requirements for use of this benefit are outlined in the attached document West Virginia University Research Corporation Paid Time Off Accrual Rates. **(Binder information not included in report, however, it is on file in the Post Audit Division's Office.)** The WVURC also provides employees paid holiday time off for designated dates according to a schedule published each calendar year. In pertinent part, the WVURC leave procedures require that other than holidays, "Unless otherwise required by law, all absences from work (personal, sick, family, funeral, etc.) are to be charged to one's PTO accrual; if insufficient PTO has been accrued for an absence, the employee is taken off the payroll for the time in question." Further, the procedures state, in pertinent part:*

"Time off requests are to be approved by the supervisor based upon operations. All employees are to report paid time off as it is used. Time off requests are to be submitted to the HR Office through the employee intranet system within one week following the end of the pay period in which it is used. This assures the time was used by the employee, as well as allows for timely processing of the payroll."

FLSA requires nonexempt employee pay to be based on the number of hours worked, therefore, hour by hour accounting of PTO is also required on the individual's time sheet. The WVURC leave procedure allows that, "Exempt employees are required to report personal time away from the workplace if absent more than half the scheduled workday." This does not excuse exempt employees from obtaining supervisory approval, and accounting for time absent from work through proper reporting mechanisms.

The WVURC, and the hiring supervisors it serves, have the tools in place to maintain compliance with US Department of Labor, FLSA criteria, as well as to provide its employees with reasonable time away from work in an accountable manner. WVURC employees working in the WVRHEP SCC have maintained records and been paid consistent with these procedures.

Due to the location differences, additional monitoring methods are in place for WVRHEP SCC staff include a weekly written outline by the direct-reports to the Associate Director including their proposed schedule and activities for the week. The WVRHEP field office staff are required to report schedules to the Associate Director prior to the beginning of the week, and any deviation from this is to be provided to the Associate Director as they occur or the employee becomes aware of such. If an employee is not in-house as expected, the other office staff are to report this to the Associate Director. The Associate Director is available at anytime, particularly during office hours, to the employees by office phone, cell phone, and email. There are also bi-weekly to monthly staff conference calls for direct discussion of program issues.

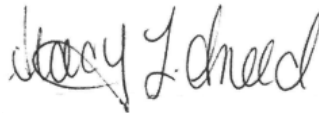
Because these systems were in place, problem areas were and are able to be identified and properly addressed. Although any system may be compromised, the WVURC's experience with the SCC has shown the Associate Director to be aware and judicious in her management and record keeping, consistent with the goals of the WVRHEP program.

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

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

Given under my hand this _____ day of _____ 2009.

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

Stacy L. Sneed, CPA, CICA, 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 Higher Education Policy Commission; West Virginia Rural Health Education Partnership; Office of the State Treasurer; Governor; Attorney General; and State Auditor.