

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

WEST VIRGINIA

STATE AGENCY FOR SURPLUS PROPERTY

FOR THE PERIOD

OCTOBER 1, 1977 - JUNE 30, 1980



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

AUDIT REPORT
OF
WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY
FOR THE PERIOD
OCTOBER 1, 1977 - JUNE 30, 1980

West Virginia



LEGISLATIVE AUDITOR

CHARLESTON

The Honorable Encil Bailey
Legislative Auditor
State Capitol - Main Unit
Charleston, West Virginia

Sir:

In compliance with your instructions and the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the West Virginia State Agency for Surplus Property.

Our examination covers the period October 1, 1977 through June 30, 1980. The results of our examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 1980 and June 30, 1979 are included in this report. The financial statements covering the period October 1, 1977 to and including June 30, 1978 are included in our audit workpapers.

Respectfully submitted,

A handwritten signature in cursive script that reads "Thedford L. Shanklin".

Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

TLS/lst;rmh

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

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WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

ACKNOWLEDGMENT

We extend our thanks and express our appreciation to the Director and his staff for their wholehearted cooperation and cheerful manner in supplying statistics, other information and answering the many questions necessary in preparing this report.

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

INTRODUCTION

West Virginia State Agency for Surplus Property was created and operates under authority established by an act of the State Legislature and the passage of House Bill 202 during the 1949 session.

The Agency is under the jurisdiction of the Department of Finance and Administration and is designated as the Agency responsible for administering the surplus property program in West Virginia.

The administrative offices and warehouses are located at 2700 Charles Avenue, Dunbar, West Virginia. The warehouses are located on 7.1 acres of land with approximately 26,000 square feet of covered space. At present, this property is leased from the State Building Commission.

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

ADMINISTRATIVE OFFICERS AND STAFF

JUNE 30, 1980

Director George Afflerbach
Supervisor of Administrative
Services Jim Dunkin
Supervisor of State Surplus
and Inventory Control Ira Carte
Federal Donation Yeuell Tyler
State Sales Gail Rhodes
Bookkeeper Carol Chancey

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

FEDERAL SURPLUS PROPERTY

1. The State Agency inventory records are not accurate.

We recommend:

1. The inventory be reconciled to the report sent to GSA on a .
monthly basis and reconciling items be fully explained.
2. The input data to the computer be checked on a current basis
to determine if the inventory has been adjusted accordingly;
3. The additions or deletions from inventory be based on written
authority only;
4. The warehouse be organized by similar items and all items be
properly tagged;
5. The property received and sold records be maintained using a
cross reference system; and,
6. The year property is requested be entered on the property log
book.

We are addressing the inventory situation in order to achieve property control and a higher degree of accuracy of all records retained by the Agency. [See pages 8-14.]

2. The West Virginia State Agency for Surplus Property Plan of Operations is not followed at all times.

We recommend the Plan be followed at all times.

In February, 1980, our procedures were standardized in order for us to follow the Plan at all times. [See pages 14-15.]

3. Transfer Order Surplus Personal Property forms are presigned by the Director.

We recommend the policy of presigning these forms be discontinued.

This recommendation has been addressed by the General Services Administration representatives who have directed all agency managers to make presigned Transfer Orders (SF123's) available to them to facilitate the allocation of property. (See page 15.)

STATE SURPLUS PROPERTY

4. There was no accountability and inventory system maintained over State Surplus Property.

We recommend an accountability and inventory system be established for State Surplus Property.

We are addressing the inventory situation for State Surplus Property in conjunction with the inventory situation for Federal Surplus Property. (See page 16.)

5. The Agency does not appear to be in compliance with Chapter 14, Article 1, Section 18 of the West Virginia Code, as amended, which deals with amount due the State.

We recommend the Agency comply with the above Chapter, Article and Section of the Code.

We will review our procedures with the Attorney General and comply with his advice. (See pages 16-17.)

6. Some of the auctioneers' bids were opened by mistake.

We recommend special envelopes be used with the words "Sealed Bids" stamped on the outside and that no bids be accepted unless submitted in those envelopes.

Such envelopes have always been used but we recently initiated a change to reflect the denial of any bid received but not submitted in the proper envelopes. (See pages 17-18.)

7. Cash proceeds from public auctions are not balanced to the written receipts and credit sales were allowed by the auctioneers which is not in accordance with the Terms and Conditions of Sale.

We recommend the Agency balance and reconcile the cash proceeds to the written receipts and the Terms and Conditions of Sale be followed.

Effective immediately, credit sales will not be permitted and we will fully comply with the terms and conditions of the auction. (See page 18.)

8. We could find no authority in Chapter 5A, Article 8 of the West Virginia Code, as amended, which governs the State Agency for Surplus Property, for the buying of surplus cars, or to giving away surplus property to municipalities.

We recommend the Agency comply with the above Chapter and Article of the Code.

Our present procedure is necessary to alleviate cash flow problems since the Motor Pool must order replacement vehicles several months in advance of the auctions. (See pages 18-19.)

TRAVEL

9. The Agency was not complying with the Governor's Travel Regulations, not maintaining a travel log for its employees and paid an employee twice for the same travel.

We recommend:

1. The Agency comply with the Governor's Travel Regulations;
2. The Agency maintain a travel log for each employee; and,
3. The Agency attempt to recover the double payment for the same travel.

We have already implemented the above recommendations. (See pages 19-20.)

Internal Control

10. There is no system in place to check for possible telephone abuse; the general ledger was not maintained from June, 1979 through April, 1980; and, there was no segregation of duties between the bookkeeping and deposit functions.

We recommend a system of internal control be established which will include a check for telephone abuse; ensure the general ledger is maintained and a proper segregation of duties.

A system to check for telephone abuse is and has been in place for several years. The recent creation of an Administrative Support Section has not only resulted in the segregation of duties and better job identification, but also ensures that the general ledger will be maintained. (See pages 20-21.)

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

GENERAL REMARKS

INTRODUCTION

We have completed a financial and compliance audit of the West Virginia State Agency for Surplus Property. This report covered the period July 1, 1977 through June 30, 1980.

APPROPRIATED FUND

Expenditures required for the general operation of the West Virginia State Agency for Surplus Property for the period July 1, 1977 through June 30, 1979 was made from appropriated account State Agency for Surplus Property (2100-17).

SPECIAL REVENUE ACCOUNTS

Expenditures for the general operation of the West Virginia State Agency for Surplus Property are made from the following special revenue accounts:

8145-06

Sale of Federal Surplus Property

8145-45

Surplus Property Sales

FEDERAL SURPLUS PROPERTY

The West Virginia State Agency for Surplus Property Plan of Operation, page 5, paragraph 1, states "The State Agency will maintain accurate inventory records of all surplus property received, warehoused, distributed or otherwise disposed."

In order to determine if the Agency was complying with the above, we performed various audit tests of the inventory records. One of our tests was to compare the federal surplus property inventory and the amount of inventory reported to the General Service Administration (GSA) during the audit period. We were unable to do this because the Agency only had on hand the most current inventory. Therefore, we compared the most current inventory August, 1980 with the amount reported to GSA and found it to be \$6,089,511.00 under the amount recorded on

inventory.

Another of our inventory tests was to trace a sample of items recorded on the inventory to its actual location and the following could not be located by the Agency or us:

<u>Date Received</u>	<u>Type of Equipment</u>	<u>Acquisition Cost</u>
2/28/78	Diazo Machine	\$ 6,000.00
2/28/78	Diazo Machine	1,200.00
2/28/78	Camera Tupper	250.00
2/28/78	Drum Print Dryer	500.00
2/28/78	Vacuum Cleaner	370.00
7/ 1/78	2 Cohn Camaras	650.00
7/ 1/78	Camera Oscilloscope	1,400.00
10/27/77	Mobile Home	4,999.00
2/28/78	Operator Control Panel	15,000.00
9/ 2/76	Comparison Microscope	4,196.70
9/ 2/76	Microscope	4,196.70
9/ 2/76	Microscope	2,673.40
3/ 1/78	Collator	5,990.00
11/18/77	Dishwasher	159.00
3/ 2/78	Pickup Truck	1,848.00
2/28/78	8 6-Cylinder Gas Engines	28,800.00
10/ 7/76	Bendix Phychrometer	65.00
3/ 2/78	Grinding Machine	14,000.00
4/ 1/78	4 Cargo Trailers	3,312.00
9/ 7/76	Washing Machine	175.00
3/ 2/78	Generator	2,900.00
9/17/73	Thermal Recorder	5,000.00
4/24/78	Refrigerator	117.52
12/ 1/78	Truck	6,647.00
6/ 1/78	Lathe	12,455.00
6/22/78	Lift Truck	11,706.00
6/ 1/78	3 Hydraulic Power Units	19,470.00
7/ 1/78	Truck	6,457.00
7/ 1/78	Welder	6,626.00
9/28/78	Spectrophmeter	15,143.00
11/21/74	Admiral Television	172.00
7/ 1/78	Lathe	12,000.00
10/31/78	Air Compressor	16,000.00
9/ 1/78	Microphone Stand	68.00
10/15/78	Household Refrigerator	157.47
8/ 1/78	2 Roamer Wrist Watches	75.00
8/ 1/78	Tissot Wrist Watch	37.50
8/ 1/78	Omega Wrist Watch	37.50
7/31/78	X-Ray Apparatus	21,525.54
9/13/78	Cargo Truck	3,756.00
9/ 1/78	Cargo Truck	6,512.00
10/10/78	2 Conveyors	63,800.00
1/18/77	2 Armature Rewind Kits	6,580.00
11/ 8/77	Copier	9,310.00
8/24/76	Refrigerator	137.25

<u>Date Received</u>	<u>Type of Equipment</u>	<u>Acquisition Cost</u>
8/24/76	Refrigerator	\$ 164.39
2/ 1/78	Copier	4,280.00
12/ 8/77	Embossing Machine	4,999.96
4/24/78	Television	4,667.00
1/21/77	3 Trucks	17,888.00
1/21/77	Surgical Washing Machine	7,407.77
12/22/76	Recorder	7,000.00
12/13/76	2 Trucks	5,004.71
4/ 5/77	Keystone Power Supply	9,836.87
6/ 6/77	Chevrolet Truck	2,210.00
2/ 1/73	Peak Dector System	51,962.00
2/20/76	Dishwasher	176.00
2/ 1/78	Zerox 914 Copiar	14,850.00
2/18/77	Tank Truck	8,522.00
3/16/76	Clothes Dryer	76.00
3/27/77	Physiological Recorder	11,828.82
8/24/76	Pickup Truck	1,414.00
8/24/76	Chevrolet Pickup Truck	1,335.00
6/16/77	Chevrolet Vehicle	2,328.07
8/24/76	Sears Washer	170.00
9/ 9/77	Cargo Truck	4,633.00
10/17/74	Food Service Truck	1,556.52
11/28/77	Mobile Home	4,160.00
1/16/80	Dishwasher	94.90
1/16/80	Washer	235.00
3/15/80	Dishwasher	2,863.00
7/ 8/80	2 Utility Trucks	7,810.00
1/ 5/79	Combination Case Set	69,595.00
1/ 5/79	Automobile Sedan	2,440.03
1/24/79	Cargo Truck	4,050.00
11/30/78	Tank Truck	9,026.00
10/17/78	Dishwasher	250.00
1/17/79	Van	2,800.00
2/26/79	Cargo Truck	3,756.00
2/ 1/79	Dishwasher	187.00
10/ 1/79	Mobile Home	5,500.00
8/15/79	Truck	13,088.00
8/15/79	Sedan	2,499.00
9/ 1/79	2 Safes	1,000.00
8/30/79	Wrist Watch	25.00
8/30/79	Camera	100.00
10/25/79	Safe with Combination	1,361.00
		<u>\$615,624.62</u>

Also, in addition to the above the following items could not be located by us or the Agency:

<u>Description</u>	<u>Quantity</u>	<u>Average Cost</u>	<u>Total</u>
Typewriters	562	\$350.00	\$196,700.00
Adding Machines	251	175.00	43,925.00
Cameras	32	670.00	21,440.00
Movie Projectors	73	325.00	<u>23,725.00</u>
			<u>\$285,790.00</u>

Some reasons for the above conditions are given below:

- 1) We found some items listed on the inventory were already sold but listed as being on hand. In some instances items were key punched to remove the property from inventory, however, the property was never removed due to errors.
- 2) The Agency at times sells and receives property which is not located at its location in Dunbar, West Virginia. This property is added or removed from inventory by verbal authority and the paperwork would or would not be prepared later.
- 3) The warehouse is unorganized and the property is not properly tagged. Generally, accurate inventory cannot be maintained if similar properties are not grouped together and properly tagged. Also, because property was not properly tagged, the actual items sold were not removed from inventory. For example; the Agency would sell two desks which were not tagged, then select any two desks on the inventory to be removed.
- 4) The property received records could not be reconciled to the property sold records due to the use of two different filing systems and the property log book did not show the year the property was requested.

We believe if the following recommendations were adopted they would help to strengthen internal controls and promote the accuracy and reliability of data as well as the operational efficiency of the Agency. We recommend:

- 1) The inventory be reconciled to the report sent to GSA on a monthly basis and reconciling items be fully explained;

- 2) The input data to the computer be checked on a current basis to determine if the inventory has been adjusted accordingly;
- 3) The additions or deletions from inventory be based on written authority only;
- 4) The warehouse be organized by similar items and all items be properly tagged;
- 5) The property received and sold records be maintained using a cross reference system; and,
- 6) The year property is requested be entered on the property log book.

We are addressing the inventory situation in order to achieve property control and a higher degree of accuracy of all records retained by the Agency. We have been working with data processing personnel within the State including the private sector to develop a system that can be reconciled on a monthly basis. Our goal is to generate the 30-40 General Services Administration's report that you referenced as a by-product of the system. Input data is being checked each time a new printout is received. As the audit indicates, there are items still listed on the printout that have been sold and invoices have been located to show their sale but for some still unexplained reason have not been deleted despite their submission on disc. We are working to correct that problem.

With regard to the receipt and sale of property not located at Dunbar, we do allow and encourage the direct pickup of property by counties, municipalities, schools, and Volunteer Fire Departments because the property can be purchased at a greater savings. A form does exist and has been used to allow and record such pickups. The written form may not have been used in every instance, but we will ensure its use in the future.

The property log does show the year in which the property is requested.

At the exit interview, the distinction was made that the log does have dates, the pages are sequential, and the day and month are always entered, but it was a matter that the year was not entered on every page. The clerical omission has been addressed and each page will now provide a self contained summary of the transaction.

Much has been done in the last five (5) years to organize our record keeping through automation. A data processing conversion occurred in 1976 but work on the peripheral systems of receiving, tagging, and invoicing have taken considerably more time than expected. We have developed a manifest/receiving system within the last year and we have also assigned one individual to specialize in receiving all items. These actions have contributed significantly to greater inventory accountability.

Other factors impacting control of the inventory have been addressed as resources have become available. We have been growing under difficult physical and economic conditions. It has only been within the last three (3) years we have been fortunate enough to acquire our warehouse facilities. Prior to assuming ownership, the State rented the property, and since Capitol improvements cannot be undertaken on rental property, adequate security and warehousing facilities did not exist. Within the past three (3) years, numerous changes have been made including the following:

1. Three buildings have been reroofed;
2. Receiving areas and loading docks, which are critical to inventory control, have been constructed;
3. A fence was erected around the entire property for security purposes;
4. Over 36,000 square feet of unusable "swamp" land has been reclaimed;
5. Vehicle storage areas have been blacktopped; and
6. We have constructed a warehouse office to monitor inventory

flow. In the future, this office will also assume responsibility for invoice preparation to ensure property is properly identified at the time of sale.

The condition of the property we receive is quite often scrap and customers frequently create one useful item from the parts of several machines or furniture. This situation at times results in the disappearance of several identification numbers which may or may not be removed from the inventory records. The creation of a warehouse office to monitor property movement should correct this situation.

The West Virginia State Agency for Surplus Property Plan of Operations, page 9, paragraph 2 states: "To establish eligibility, applicants will be required to: a) Complete the Application of Eligibility Forms. b) Furnish either a written authorization signed by the chief administrative officer or executive head of the donee or a resolution by the governing board or body of the donee designating one or more representatives to act for the applicant to: 1) Acquire donable property from the State Agency...."

We performed tests to determine if the Agency was in compliance with the above. We found that of the 45 sales tested 26 were with persons not authorized to buy from the Agency. We asked the Agency personnel why they were not following this requirement and was told it was too much bother to verify if a person was authorized to buy property from the Agency.

We believe Agency personnel should be informed that failure to comply with the West Virginia State Agency for Surplus Property Plan of Operations could mean West Virginia's termination of participation in the Federal Surplus Property Program.

We recommend the West Virginia State Agency for Surplus Property Plan of Operations be followed at all times.

In November 1980, new eligibility applications were sent out to 1,100 organizations and the names of all authorized purchasers are now maintained at

the invoicing office and are checked at the time of sale. Historically, the persons employed by or belonging to an organization and authorized to make purchases have either quit or have been reassigned. Subsequently, that organization may have sent someone else who was not listed on the application to receive property. Although our personnel often called to verify authorization, usually the possession of the authorization card led the sales person to believe authorization existed. In February 1980, our procedures were standardized and all sales personnel were directed to ask for both the authorization card and the buyer's drivers license to ensure proper authorization.

The Transfer Order Surplus Personal Property, standard form 123, is being presigned by the Director to acquire surplus property in his absence. As a result of this apparent weakness in internal control the employee preparing the form is being placed in a position to perpetrate errors or irregularities. Good internal control depends largely on the elimination of the above type opportunities. We believe if another employee is authorized to sign or no orders be placed in the Director's absence this would strengthen internal control over placing orders.

We recommend the policy of presigning Transfer Order Surplus Personal Property by the Director be discontinued.

This recommendation has been addressed by the General Services Administration representatives who have directed all agency managers to make presigned Transfer Orders (SF 123's) available to them to facilitate the allocation of property. It is also a requirement that the Order be signed by the Director and cannot be delegated. It should be noted that the Order is only an application for property which must be countersigned by a General Services Administration officer who notifies the Surplus Director when allocation is made.

STATE SURPLUS PROPERTY

During our review of procedures to control State Surplus Property we found there was no accountability and inventory system maintained over this property. Chapter 5A, Article 8, Section 3A of the West Virginia Code, as amended, states in part "...The proceeds of such sales or transfers shall be deposited in the state treasury to the credit on a pro rata basis of the fund or funds out of the purchase of which the particular commodities or expendable commodities was made:..." By the Agency not maintaining an accountability system, we believe it cannot fully comply with the above section of the Code, because it could not know what fund or funds purchased the commodities or expendable commodities.

We recommend that an accountability and inventory system be established for State Surplus Property.

As is the case with Federal Surplus Property, the warehousing and disposal of State Surplus Property has also undergone numerous changes during the past three (3) years. At one time, State Property was intermingled with Federal Surplus which negated inventory accountability. During the past year, we have constructed separate warehousing and receiving areas for State Surplus and we have also created a manual paper filing system for inventory purposes. This manual system will be incorporated into our automated inventory control procedures to ensure accountability.

Chapter 14, Article 1, Section 18 of the West Virginia Code, as amended, states: "The auditor or other officer or official body, having authority to collect the same, may, with the advice of the attorney general, adjust and settle, upon just and equitable principles, without regard to strict legal rules, any account or claim, in the favor of the State, which may at the time have been standing upon the books of his office more than five years; and, with the like advice, may dismiss any proceeding instituted by him." An Attorney General's Opinion dated September 12, 1973 relating to

the above section states in part: "The department..., through its director, cannot write off a balance until such time as the debt has been standing upon its books for more than five years, and even then, only with the advice of the Attorney General."

We found the Agency was writing off balances due it without the advice of the Attorney General, nor was it allowing the balance due to stand on its books for five years. We recommend the Agency comply with the above section of the West Virginia Code.

This opinion stated that a department cannot write off a balance due until such time as the debt has been standing upon the books for more than five (5) years, and even then, only with the advice of the Attorney General.

We often issue credit memos for faulty property or property that is returned to the agency for valid reasons. These memorandums represent an adjustment to the purchase price but are not a cancellation of accounts due the Agency. This procedure will be reviewed with the Attorney General and we will immediately comply with his advice.

When a public auction is to be held the Agency will advertise for an auctioneer requesting sealed bids from interested auctioneers to hold the sale. The Agency will open the sealed bids at a predetermined time and date and select the lowest bidder.

We were present for the bid opening covering the public auction held September 27, 1980 at 10:00 a.m. We noted no auctioneers were there for the opening and not all the bids were sealed. We asked the Agency personnel if the above was common. We were told yes and that the bids had been opened in error by the employee opening the mail. The main reason the errors occurred was that the bids were in plain envelopes.

We recommend special envelopes be used with the words "sealed bids"

stamped on the outside and that no bids be accepted unless submitted in those envelopes.

Such envelopes have always been used but we recently initiated a change to reflect the denial of any bid received but not submitted in the proper envelopes.

When a public auction is held the auctioneer must furnish an assistant auctioneer, clerk, two cashiers and the necessary public address equipment. The assistant auctioneer is used to relieve the auctioneer when he becomes tired. The clerk and cashiers are used to collect and receipt the proceeds from the auction. The Terms and Conditions of Sale states in part "...Payment in full must be paid at the time of sale..."

In reviewing the public auction procedures we noted the cash proceeds are not balanced to the written receipts and credit sales were allowed by the auctioneers. We asked the Agency's personnel why the above conditions existed. We were told the Agency once tried to balance the cash proceeds to the receipts but could not do so and the Agency ceased trying to balance or reconcile the two. Credit sales were allowed because some persons making the highest bid did not have the cash with them to cover their bid.

We recommend the Agency balance and reconcile the cash proceeds to the written receipts and the Terms and Conditions of Sale be followed.

The terms and condition of sales (public auction) state "...payment in full must be made at the time of sale..." Effective immediately credit sales will not be permitted and we will fully comply with the terms and conditions of the auction.

During April, 1980 the Transportation Division invoiced the Agency \$149,871.00 for 172 surplus cars purchased from the Department of Public Safety. We selected the following cars for a detailed test:

Car #1	1977 Dodge Monaco	DM41P7D193789
Car #2	1978 Dodge	WL41V8A199136
Car #3	1977 Plymouth Gran Fury	PM41P7DZ47167

	<u>Total Cost</u>	<u>Sale Proceeds</u>	<u>Gain (Loss)</u>
Car #1	\$834.00	\$375.00	(\$459.00)
Car #2	\$834.00	\$900.00	\$ 66.00
Car #3	\$834.00	\$-0-	(\$834.00)

Car #1 was sold to C. A. Price of St. Albans May 3, 1980; car #2 was sold to the town of Ammore June 26, 1980; and, car #3 was given to the town of Dumbar to be used for parts. We noted Dumbar did not sign for the car, nor was the title changed to indicate Dumbar owned the car.

We could find no authority in Chapter 5A, Article 8 of the West Virginia Code, as amended, which governs the State Agency for Surplus Property, for the buying of surplus cars, or to giving away surplus to municipalities.

We recommend the Agency comply with the above Chapter and Article of the Code.

West Virginia Code 5A-8-3a requires auction proceeds "...be deposited in the state treasury to the credit on a prorata basis of the fund or funds out of which the purchase of the particular commodities or expendable commodities was made: Provided, that the director may charge and access fees..." Based on historical auction proceeds, we reimburse the Transportation Division prior to the actual sale of the vehicles. Since the Motor Pool must order replacement vehicles several months in advance of the auctions, this procedure is necessary to alleviate cash flow problems.

All eligible donees are assessed service charges which are based not only on the original acquisition cost but also other factors including the condition of the property. When we receive a demolished vehicle with little or no value, and a donee wishes to use it for parts, the charge, paid by the donee, is the cost to remove it from Surplus facilities.

TRAVEL

During our examination of travel reimbursement we noted travel advancements were not being settled within the 30 day period after the date of travel as required by the Governor's Travel Regulations. We also

noted the Agency did not maintain a travel log for its employees. Because of the lack of a travel log the Agency paid an employee twice for the same travel. The amount of duplicate payment was \$91.76. We recommend:

1. The Agency comply with the Governor's Travel Regulations;
2. The Agency maintain a travel log for each employee; and,
3. The Agency attempt to receive the \$91.76 from the employee paid twice for the same travel.

It has been, and will be, our policy to fully comply with the Governor's Travel Regulations, specifically, the requirement that travel reimbursements be settled within thirty (30) days. In addition, a travel log and related procedures have now been developed and are being utilized. With respect to duplicate travel payments, we have recovered the \$91.76 overpayment made to an employee.

INTERNAL CONTROL

During the course of any audit we perform, we make a study and evaluation of the auditee's system of internal accounting

control and we noted the following weaknesses in the Agency's controls:

1. There is no system in place to check for possible telephone abuse;
2. The general ledger was not maintained from June, 1979 through April, 1980; and,
3. There was no segregation of duties between the bookkeeping and deposit functions.

Accounting controls comprise the plan of organization and all methods and procedures that are concerned mainly with, and relate directly to, the safeguarding of assets and the reliability of the financial records. They generally include such controls as the systems of authorization and approval, separation of duties concerned with recordkeeping and accounting reports from those concerned with operations of asset custody, physical

controls over assets, and internal auditing.

We recommend a system of internal control be established which will include a check for telephone abuse; ensure the general ledger is maintained; and, a proper segregation of duties.

A system to check for telephone abuse is and has been in place for several years. Monthly, copies of DAIN listings and direct dial long distance invoices are reviewed to identify questionable uses of the phone. The recent creation of an Administrative Support Section has not only resulted in the segregation of duties and better job identification, but also ensures that the general ledger will be maintained.

EXIT CONFERENCE

We held an exit conference at 1:00 p.m., Tuesday, May 12, 1981 with the Director and all findings and recommendations were reviewed and discussed. This official concurred with our findings and recommendations. The Director's and the Commissioner of Finance and Administration's written comments follow our recommendations in this report.

AUDITORS' OPINION

The Honorable Encil Bailey
Legislative Auditor
State Capitol - Main Unit
Charleston, West Virginia

Sir:

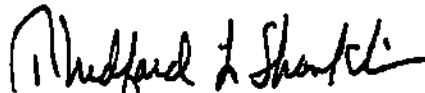
We have examined the financial statements of the West Virginia State Agency for Surplus Property for the years ended June 30, 1980 and June 30, 1979, listed in the foregoing table of contents. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in Note A, the Agency's policy is to prepare its financial statements on a cash basis. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements of West Virginia State Agency for Surplus Property listed in the aforementioned table of contents present fairly appropriations, cash receipts, expenditures, disbursements and changes in fund balance for the years ended June 30, 1980 and June 30, 1979 on a basis consistent with the preceding year.

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

Respectfully submitted,



Theford L. Shanklin, CPA, Director
Legislative Postaudit Division

December 23, 1980

Auditors: James R. Blake, Supervisor-in-Charge
Gary R. Marks, Auditor-in-Charge

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

STATEMENT OF APPROPRIATIONS, CASH RECEIPTS, EXPENDITURES, DISBURSEMENTS
AND CHANGES IN FUND BALANCES

	Year Ended June 30, 1980 <u>Special Revenue</u>
Appropriations/Cash Receipts:	
Appropriations	\$ -0-
Sale of Federal Surplus Property	259,392.47
Surplus Property Sales	569,877.28
Investments	150,000.00
Interest	1,289.07
Intra-Account Transactions	<u>(23,832.03)</u>
	956,726.79
Expenditures/Disbursements:	
Personal Services	180,855.96
Current Expenses	382,123.21
Repairs and Alterations	59,741.43
Equipment	1,531.61
Other State Agencies	139,861.75
Investments	150,000.00
Intra-Accounts Transactions	<u>(23,832.03)</u>
	<u>890,281.93</u>
Appropriations/Cash Receipts Over Expenditures/Disbursements	66,444.86
Thirty-Day Expenditures and Expirations	<u>-0-</u>
	66,444.86
Beginning Balance	<u>380,179.81</u>
Ending Balance	<u>\$446,624.67</u>

See Notes to Financial Statements

Year Ended June 30, 1979

<u>General</u> <u>Revenue</u>	<u>Special</u> <u>Revenue</u>	<u>Combined</u> <u>Total</u>
\$ 90,622.00	\$ -0-	\$ 90,622.00
-0-	264,773.18	264,773.18
-0-	401,318.74	401,318.74
-0-	-0-	-0-
-0-	-0-	-0-
-0-	(28,708.21)	(28,708.21)
<u>90,622.00</u>	<u>637,383.71</u>	<u>728,005.71</u>
44,279.42	135,858.46	180,137.88
31,681.68	150,238.12	181,919.80
-0-	17,391.93	17,391.93
-0-	-0-	-0-
-0-	142,481.98	142,481.98
-0-	-0-	-0-
-0-	(28,708.21)	(28,708.21)
<u>75,961.10</u>	<u>417,262.28</u>	<u>493,223.38</u>
14,660.90	220,121.43	234,782.33
<u>(14,660.90)</u>	<u>-0-</u>	<u>(14,660.90)</u>
-0-	220,121.43	220,121.43
-0-	160,058.38	160,058.38
<u>\$ -0-</u>	<u>\$380,179.81</u>	<u>\$380,179.81</u>

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

NOTES TO FINANCIAL STATEMENTS

Note A - Accounting Policies

Accounting Method: The modified cash basis of accounting is followed for the General Revenue Fund. The major modification from the cash basis is that a 30-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. All balances of the General Revenue Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 30 days after the fiscal year-end; however, appropriations for buildings and land remain in effect until three years after the passage of the act by which such appropriations were made. The cash basis of accounting is followed by all other funds. Therefore, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Expenditures during the 30-day carry-over period and expirations were as follows:

	Expenditures July 1-30 1979	Expirations July 31, 1979
State Agency for Surplus Property	<u>\$14,072.89</u>	<u>\$ 588.01</u>

There were no appropriations to the West Virginia State Agency for Surplus Property for the fiscal year 1980.

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

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4½% of their compensation and employees have vested rights under certain circumstances. Contributions by the West Virginia Public Employees' Retirement Board are 9½% of the employees' compensation.

Contributions to the pension and retirement plans were as follows:

	<u>June 30, 1980</u>	<u>June 30, 1979</u>
Special Revenue	<u>\$11,257.56</u>	<u>\$10,920.45</u>

SUPPLEMENTAL INFORMATION

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

YEAR ENDED JUNE 30, 1979

State Agency for Surplus Property -
Account 2100-17

Appropriations	\$90,622.00
Expenditures:	
Personal Services	44,279.42
Current Expenses	<u>45,754.57</u>
	<u>90,033.99</u>
	588.01
Transmittals Paid July 1 - July 30	<u>14,072.89</u>
Balance	<u>\$14,660.90</u>

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

<u>Sale of Federal Surplus Property - Account 8145-06</u>	<u>Year Ended June 30,</u>	
	<u>1980</u>	<u>1979</u>
Cash Receipts:		
Sale of Federal Surplus Property	\$235,560.44	\$236,064.97
Surplus Property Sale (8145-45)	23,832.03	28,708.21
	<u>259,392.47</u>	<u>264,773.18</u>
Disbursement:		
Personal Services	102,831.48	131,312.80
Current Expenses	128,169.03	105,021.63
Repairs and Alterations	27,778.09	10,071.30
Equipment	832.54	-0-
	<u>259,611.14</u>	<u>246,405.73</u>
Cash Receipts (Under) Over Disbursements	(218.67)	18,367.45
Beginning Cash Balance	<u>39,470.89</u>	<u>21,103.44</u>
Ending Cash Balance	<u>\$ 39,252.22</u>	<u>\$ 39,470.89</u>

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

<u>Surplus Property Sales - Account 8145-45</u>	<u>Year Ended June 30,</u>	
	<u>1980</u>	<u>1979</u>
Cash Receipts:		
Sales;		
Auction	\$332,873.18	\$181,728.76
State Surplus Property	212,770.03	198,623.76
Abandoned and Property	21,817.07	13,467.43
Bid	2,417.00	7,498.79
	<u>569,877.28</u>	<u>401,318.74</u>
Disbursements:		
Personal Services	78,024.48	4,545.66
Current Expenses	228,422.15	16,458.28
Repairs and Alterations	31,963.34	7,320.63
Equipment	699.07	-0-
Investments	150,000.00	-0-
Refunds	1,700.00	50.00
Inter-Governmental Transfers	139,861.75	142,481.98
Sale of Federal Surplus Property (8145-06)	23,832.03	28,708.21
	<u>654,502.82</u>	<u>199,564.76</u>
Cash Receipts (Under) Over Disbursements	(84,625.54)	201,753.98
Beginning Cash Balance	<u>340,708.92</u>	<u>138,954.94</u>
Ending Cash Balance	<u>\$256,083.38</u>	<u>\$340,708.92</u>

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

STATEMENT OF CHANGES IN INVESTMENT BALANCE

	<u>Year Ended June 30,</u>	
	<u>1980</u>	<u>1979</u>
Beginning Balance	\$ -0-	\$ -0-
Additions:		
Investment Purchased	150,000.00	-0-
Interest	<u>1,289.07</u>	<u>-0-</u>
	151,289.07	-0-
Deductions	<u>-0-</u>	<u>-0-</u>
Ending Balance	<u>\$151,289.07</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

RECONCILIATIONS

JUNE 30, 1980

Sale of Federal Surplus Property -
8145-06

Balance per State Treasury \$ 39,252.22

Balance in State Treasury per Agency \$ 39,252.22

Surplus Property Sale - 8145-45

Balance per State Treasury \$256,083.38

Balance in State Treasury per Agency \$256,083.38

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Encil Bailey, Legislative Auditor, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 16th day of June,
1981.

Encil Bailey

Encil Bailey, Legislative Auditor

Copy forwarded to the Commissioner of the Department of Finance and Administration to be filed as a public record. Copies forwarded to the West Virginia State Agency for Surplus Property; Governor; Attorney General; and State Auditor.