

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Building 1, Room E-132
1900 Kanawha Boulevard, East
Charleston, WV 25305-0610
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Aaron Allred

Legislative Manager
Legislative Auditor

January 11, 2016

The Honorable William Cole, President
West Virginia State Senate
Post Audits Subcommittee, Co-Chair
Room 229 M, Building 1
State Capitol Complex
Charleston, WV 25306

The Honorable Timothy Armstead, Speaker
West Virginia House of Delegates
Post Audits Subcommittee, Co-Chair
Room 228 M, Building 1
State Capitol Complex
Charleston, WV 25306

Dear Mr. President and Mr. Speaker:

The West Virginia Department of Agriculture (WVDA) was included in Wave 1 which converted state employees to a bi-weekly payroll basis. As a result, the Chief Financial Officer for WVDA informed all employees that they would receive a one-time pay adjustment, coded as compensatory time, to "true-up" the annual wages of all active full-time and part-time employees that were impacted by the switch. This adjustment was included in WVDA employees' November 27, 2015 pay, and shown on the pay stub as 13 hours and 20 minutes compensatory time for full-time employees, and 6 hours and 40 minutes for part-time employees. Based on information obtained from WVDA, this adjustment resulted in WVDA paying an average of \$251 in additional compensation per employee, totaling over \$70,000. As a result of the additional compensation, WVDA also paid over \$15,000 in additional employer related expenses such as FICA, PERS, and Medicaid.

On December 14, 2015, State Treasurer John Perdue sent a letter to Governor Tomblin expressing his concern regarding the payment of compensatory time to WVDA employees and how the payroll was processed through wvOASIS. In part he stated:

A major reason for wvOASIS was to provide additional checks and balances on the State's finances, specifically expenditures. It does not appear that wvOASIS or the personnel involved in authorizing payroll to be paid after it was entered into wvOASIS learned of the situation involving WVDA until after the payroll was processed. (Emphasis added)

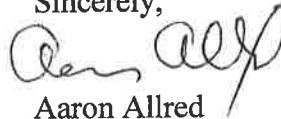
On December 16, 2015, State Auditor Glenn Gainer replied to Treasurer Perdue's letter stating that he had recommended the matter be referred to me as Legislative Auditor for my review. He further stated:

As a practical matter under law, the State Auditor's Office essentially acts as a payroll service for state spending units, ensuring that authorized deductions and tax withholdings are made from respective employees' pay. However, this office lacks legal authority to audit the fiscal affairs of state spending units, and therefore, has no mandate under state law to compel state spending units, including the WVDA, or the State Treasurer's Office for that matter, to supply this office with any supporting documentation such as timesheets, timecards, or other specifics relating to compensation being paid to their employees.

As noted in my September 13, 2015 letter to the Post Audits Subcommittee, we do not believe any employees were "shorted" pay as a result of the conversion to bi-weekly pay. It was a timing issue. The concerns raised in my September letter, regarding an increase in pay was related to salaried employees only. Hourly employees are paid each pay period for the actual number of hours worked, and would not be impacted by the conversion method utilized by wvOASIS. Thus, providing supplemental income to "true up" WVDA employees' pay for 2015 was unnecessary, and WVDA has overpaid its employees by an average of \$251 per employee.

In conclusion, I recommend WVDA recoup the approximately \$85,000 paid out as a result of overpaying its employees.

Sincerely,

A handwritten signature in black ink, appearing to read "Aaron Allred", written over a printed name.

Aaron Allred



State of West Virginia

Glen B. Gainer III

State Auditor

Office of the State Auditor
1900 Kanawha Boulevard, East
State Capitol, Building 1, Suite W-100
Charleston, West Virginia 25305

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December 16, 2015

LEGISLATIVE MANAGER

The Honorable John D. Perdue
West Virginia State Treasurer
1900 Kanawha Blvd., East
Building 1, Room E-145
Charleston, WV 25305

DEC 17 2015

RECEIVED

Dear Treasurer Perdue:

I have received your correspondence (enclosed) dated December 14, 2015, wherein you express concern with certain payments of compensatory time made to employees of the West Virginia Department of Agriculture (WVDA) occurring on the biweekly pay of November 27, 2015.

Upon learning of these payments, I immediately recommended to the Project Director of the Enterprise Resource Planning Board to refer this matter to the West Virginia Legislative Auditor for his review to determine whether any provisions of State law were impacted. However, in relation to your question of how such payments can occur without being detected prior to payment being issued, it is imperative to understand the role the State Auditor's Office plays in the payroll function, both within the EPICS and *wvOASIS* HRM/Payroll systems, as well as the inherent limitations placed on my office in terms of authority and resources.

The Central Payroll processors in both systems only have the authority and responsibilities within State law which are granted to my office under the provisions of Chapter 12, Article 3, Section 13a of the West Virginia Code. As a practical matter under law, the State Auditor's Office essentially acts as a payroll service for state spending units, ensuring that authorized deductions and tax withholdings are made from respective employees' pay. However, this office lacks legal authority to audit the fiscal affairs of state spending units and, therefore, has no mandate under state law to compel state spending units, including the WVDA or, the State Treasurer's Office for that matter, to supply this office with any supporting documentation such as timesheets, timecards or other specifics relating to compensation being paid to their employees. In addition, the *wvOASIS* HRM/Payroll for November 27, 2015, consisted of approximately 8,900 payments, and the legacy EPICS payroll for November 30, 2015, consisted of approximately 42,000 payments. It would have been impractical to perform an extensive pre-audit review of such payments even if state law allowed it, and still allow the State's payrolls to process timely.

The Honorable John D. Perdue
December 16, 2015
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Accordingly, the primary objectives of my office are to ensure that all payroll payments made to respective employees correspond to the authorized budgetary rate of compensation for the affected employee; that all authorized payroll deductions are made from various employees' pay based on tax withholding information supplied by each employee; that all payroll changes submitted to the State Auditor's Office are made both timely and correctly and that all compensation payments made to employees are recorded in a manner which allows this office to include those payments in the Total Compensation Report assembled by this office on an annual basis for transparency purposes.

Insofar as the earlier mentioned compensatory time payments are concerned, my office, by necessity, relies on the work of the Legislative Auditor's Office as conducted under Chapter 4, Articles 2 and 10 of the West Virginia Code, as well as, other independent audits commissioned by state spending units, to ferret out spending units who are either manipulating the State's payroll systems or otherwise making illicit or erroneous payments. This explains our actions in referring these apparent compensatory time payments processed by the WVDA to the Legislative Auditor for his consideration of the potential conflicts with applicable provisions of Chapter 61, Article 5 of the West Virginia Code.

During the last scheduled meeting of the Enterprise Resource Planning Board, you indicated that the supposed "underpayment" of annual salary to Wave 1 employees was an issue, however, the Board chose to take no action. That being said, I take it we were all in agreement with the Legislative Auditor that there is no such underpayment, but rather an issue of the timing of the salary payments to Wave 1 employees?

Sincerely,

A handwritten signature in black ink, appearing to read "Glen B. Gainer III". The signature is fluid and cursive, with a prominent flourish at the end.

Glen B. Gainer III
State Auditor

Enclosure

Cc: The Honorable Earl Ray Tomblin, Governor
The Honorable Walt Helmick, State Agriculture Commissioner
Mr. Aaron Allred, Legislative Auditor
Mr. Jason Pizatella, Secretary of Administration

DEC 17 2015

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State of West Virginia

OFFICE OF THE STATE TREASURER
CHARLESTON, WV 25305
PHONE: 304-558-5000 FAX: 304-558-4097
1-800-422-7498
www.wvtreasury.com
December 14, 2015

JOSH STOWERS
ASSISTANT STATE TREASURER

JOHN D. PERDUE
STATE TREASURER

The Honorable Earl Ray Tomblin
Governor of the State of West Virginia
Office of the Governor
Charleston, WV 25305

Re: Department of Agriculture
Compensatory Time Payment November 27, 2015

Dear Governor Tomblin:

I write to you as a member of the Enterprise Resource Planning Board of Directors to express my concern about a situation involving the West Virginia Department of Agriculture (WVDA) and the payment of compensatory time on November 27, 2015, via wvOASIS. In the event you have not received a copy of a letter dated November 23, 2015, from the WVDA explaining the payment, a copy is enclosed.

On its face, the letter to WVDA/WVCA Wave 1 Conversion Employees appears to state that Wave 1 employees were paid for compensatory time on November 27, 2015, that has not been earned, to provide a "one-time pay adjustment to true-up the annual wages of all active full-time and part-time employees" affected by the conversion to bi-weekly pay. The letter further provides "existing Comp Time or any other leave balances were not affected in any way by this adjustment." December 2, 2015, is when I first became aware of the issues involving the WVDA and would like to understand how this payroll was processed through wvOASIS and its impact.

With any payment from the State Treasury, the Auditor is to issue a warrant authorizing the payment. My role in processing payroll or any other payment is a role I take very seriously.

For paper checks being issued in connection with payroll, I begin with the paper warrants issued by the Auditor that I normally receive on Tuesday or Wednesday prior to the Friday pay day. After I ensure the files balance, etc., I release the checks that Wednesday to try to ensure they are received on Friday.

For payroll purposes by ACH, the warrant is the "ACH Payroll File" I receive from wvOASIS. In this matter, I did process the ACH payments for the WVDA payroll on November 24, 2015 (one day early for this payroll period due to Thanksgiving), when I received, processed and released the ACH Payroll File to the ACH remitting financial institution with which I contract. ACH payments have a two day settlement period, which necessitated release on November 25, 2015.

The Honorable Earl Ray Tomblin
December 14, 2015
Page 2

With the exception of information pertaining to my employees, my Office has very limited access to the HR Module and has no way of verifying or even examining the detailed payroll information of non-Treasurer's Office employees.

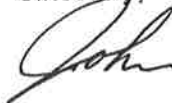
The ACH Payroll File I receive specifies the amount of money to be remitted to financial institutions via ACH for the vast majority of state employees. Information contained in the ACH Payroll File I receive is grouped by the HR Module identification number of each employee; and then for each identification number, the information provided includes the routing number, account number, last name of the employee and then the first and middle initials of that employee.

A major reason for wVOASIS was to provide additional checks and balances on the State's finances, specifically expenditures. It does not appear that wVOASIS or the personnel involved in authorizing payroll to be paid after it was entered into wVOASIS learned of the situation involving WVDA until after the payroll was processed. I have to ask why.

I understand many people are concerned about the claims that Wave 1 employees are not being fully compensated during calendar year 2015. Here, it appears that WVDA determined a solution and implemented it. I wonder if any other agencies have done similarly and we are yet to learn of it. I also wonder how the WV-11s and budgetary data in wVOASIS will be affected.

At this time, I just need to understand how the WVDA solution was allowed to be processed and its impact. If you want to discuss or need any information from my Office, do not hesitate to contact me. Thank you for your consideration of my concerns.

Sincerely,



John D. Perdue
Treasurer of the State of West Virginia

JDP/mb

Enclosure: 1

cc: ~~State Auditor Glen Gainer~~
State Agriculture Commissioner Walt Helmick
Legislative Auditor Aaron Allred
Administration Secretary Jason Pizatella



Administrative Services Division
West Virginia Department of Agriculture
1900 Kanawha Blvd. E., Charleston, WV 25305-0170
304-558-2221

Walt Helmick
Commissioner

Sandra Gillispie, CPA
Director

November 23, 2015

Dear WVDA/WVCA Wave 1 Conversion Employees:

As you are aware, the Department of Agriculture (WVDA) was included in Wave 1 of the implementation of the *wvOASIS* payroll conversion from semi-monthly to bi-weekly pay. The method of calculation chosen and timing of implementation of the *wvOASIS* payroll conversion from semi-monthly to bi-weekly pay for Wave 1 participants will result in WVDA employees' annual base salary being short by approximately .064%, in the year of conversion only. Therefore, a **one-time pay adjustment** to true-up the annual wages of all active full-time and part-time employees that were impacted by the switch has been processed. Anyone hired after May 15, 2015 or temporary employees were not affected by the change, and therefore will not have an adjustment in their paycheck.

Our options to address the conversion issue were very limited, because the *wvOASIS* system has not provided functionality to accommodate this type of correction. The adjustment will be included in your November 27, 2015 pay and will be shown on the pay stub as 13 hours and 20 minutes Comp Time for full-time (1.00 FTE) employees and 6 hours and 40 minutes for part-time (0.5 FTE) employees. **Please note:** for this adjustment, Comp Time refers to the name of the pay code *only*; existing Comp Time or any other leave balances were not affected in any way by this adjustment. If you have any questions, please contact me at 558-2221 or on extension 2200.

Sincerely,

A handwritten signature in cursive script that reads "Sandra Gillispie".

Sandra Gillispie
CFO/Director, Administrative Services

SG/alo