

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

**WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION
PARKING OPERATIONS**

**FOR THE PERIOD
JULY 1, 1999 - JUNE 30, 2001**



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION

PARKING OPERATIONS

FOR THE PERIOD

JULY 1, 1999 - JUNE 30, 2001

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Theodore L. Shanklin, CPA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.



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


CHARLESTON, WEST VIRGINIA 25305-0610

To the Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the account of the West Virginia Department of Administration's General Services Division's Parking Operations.

Our examination covers the period July 1, 1999 through June 30, 2001. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,


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

TLS/ela

**WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION - PARKING OPERATIONS**

TABLE OF CONTENTS

Exit Conference	1
Introduction	2
Administrative Officers and Staff	3
Summary of Findings, Recommendations and Responses	4
General Remarks	11
Independent Auditors' Opinion	34
Statement of Cash Receipts, Disbursements and Changes in Cash Balance	36
Notes to Financial Statement	37
Certificate of Director, Legislative Post Audit Division	38

**WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION - PARKING OPERATIONS
EXIT CONFERENCE**

We held an exit conference on March 4, 2002 with the Secretary and Deputy Secretary of the West Virginia Department of Administration and the Directors of the Purchasing and Finance Divisions of the Department of Administration. All findings and recommendations were reviewed and discussed. The Department of Administration responses are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks section of this report.

**WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION - PARKING OPERATIONS**

INTRODUCTION

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

One of the functions of General Services is to operate and maintain parking facilities at the Capitol Complex. Parking areas are designated for both State employees and visitors. Parking meters are generally used for visitor parking spaces while employees pay a monthly fee for assigned parking spaces. Parking guards are employed by the General Services Division to enforce parking regulations and to issue tickets for parking violations within the designated parking areas surrounding the Capitol Complex.

The receipts and disbursements from Parking Operations are deposited and disbursed through the Parking Lots Operating Fund. The receipts consist of parking meter collections, parking fine payments and parking fees collected from employee assigned spaces. Disbursements consist of disbursements to operate, maintain or repair the parking facilities.

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION

ADMINISTRATIVE OFFICERS AND STAFF

AS OF JUNE 30, 2001

Greg Burton Secretary
Department of Administration

Dorothy V. Yeager Deputy Secretary
Department of Administration

David Pentz Director
General Services Division

Bill Pauley Deputy Director

Andrew Fizer Deputy Finance Director

Gay Ellis Director
Accounting Section

Pam Dukate Projects Manager

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION - PARKING OPERATIONS
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

Lack of Effective System of Internal Controls

1. During the course of our examination, it became apparent to us, based on the observed noncompliance with the West Virginia Code, the Department of Administration did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations.

Auditor's Recommendation

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

Agency's Response

No response by the Department of Administration. (See pages 12 and 13.)

Department Not Seeking Restitution From Parking Guards

2. The Department of Administration has failed to notify the Circuit Court of Kanawha County, West Virginia that the parking guards who pled guilty to the theft of parking meter revenues, have not been making Court ordered restitution payments.

Auditor's Recommendation

We recommend the Department of Administration contact the Circuit Court of Kanawha County, West Virginia in an effort to collect the restitution balance.

Agency's Response

New procedures were put in place in February 2002 for Accounting to formally notify the Department's legal representatives of the progress made toward restitution. (See pages 14-16.)

Weak Internal Controls Over Parking Collections

3. The Department of Administration has not developed adequate procedures for safeguarding revenues collected from parking meters as recommended in various reports conducted by the Legislative Auditor's Office. The current procedures in effect as of the date of this report, as well as those procedures used in the past, are not consistently applied due to lack of management supervision. Under current procedures, the Department of Administration delivers the collections to a depository bank and relies on the bank to calculate the amount of the deposit.

Auditor's Recommendation

We recommend the Department of Administration comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

Agency' Response

The responsibility for coin collections has been transferred to the Accounting Section effective December 2001. Procedures have been formalized to insure proper segregation of duties and dual control of the collections. (See pages 16-19.)

Department Not Enforcing Parking Rules

4. The Department of Administration has not enforced its rules in the issuance and collection of unpaid parking citations. During the months of November 2000 and January 2001, money was not collected from parking meters and citations were not issued.

Auditor's Recommendation

We recommend the Department of Administration comply with Sections 4, 6.2, and 7.2 of Legislative Rule 148, Series 6, Parking.

Agency's Response

The administrative oversight of the parking operations was reassigned to the Purchasing Division effective December 2001. The accounting Section will provide regular reporting to the Purchasing Division to facilitate collections of amounts owed. (See pages 20 and 21.)

Fines Cheaper Than Paying Daily Cost of Parking Meters

5. Under the Department of Administration's Legislative Rule 148, Series 6 Parking, it is to an individual's advantage to receive two parking tickets daily (the maximum) rather than pay the daily cost of a parking meter.

Auditor's Recommendation

We recommend the Department of Administration amend Legislative Rule Title 148, Series 6 Parking, Sections 6.2 Metered Parking and 7.1 Fines.

Agency's Response

The Department of Administration proposed changes to Legislative Rule 148, Series 6, Parking, to address the financial disincentive to pay the parking meters. (See pages 22 and 23.)

Authorization of Invoices for Payment

6. In our test of disbursement transactions, we noted 24 invoices totaling \$34,191.62 that did not have the approval signature needed for payment.

Auditor's Recommendation

We recommend the Department of Administration comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

Agency's Response

The Department is in the process of updating procedures to insure that all transactions are properly approved before submission for payment. (See pages 23 and 24.)

Incorrect Leave Balances

7. Our examination of employees' sick and annual leave balances indicated differences of 35.75 hours between the employees' leave balances and their corresponding leave request forms or time sheets.

Auditor's Recommendation

We recommend the Department of Administration comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

Agency's Response

In February 2002, the Department of Administration implemented a new automated leave system. Multiple levels of review and approval for leave transactions are a key part of the system. The payroll section will review the leave for accuracy. (See pages 24-26.)

Overpayment of Division of Personnel Administrative Fees

8. Division of Personnel Administrative fees, which are based on the Full Time Equivalent (FTE) positions paid from a fund, were overpaid by \$595.00.

Auditor's Recommendation

We request the Department of Administration request reimbursement from the Division of Personnel for the overpayments.

Agency's Response

The Department will formalize the procedures in place for proper payment of administrative fees. The Payroll Section will request reimbursement from the Division of Personnel for the overpayments noted in the report. (See pages 26 and 27.)

Supporting Documentation

9. The Department of Administration was not able to provide us with supporting documentation for many of the disbursement and payroll transactions of the Parking Lots Operating Fund.

Auditor's Recommendation

We recommend the Department of Administration comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended and the West Virginia State Auditor's Office, State Purchasing Card Program's Policies and Procedures.

Agency's Response

The Accounting Section will review its archiving practices. (See pages 27 and 28.)

Stringing of Purchases

10. We noted three instances of purchases on a particular day from a single vendor that exceeded the Purchasing Card transaction limit of \$1,000.00. The transaction limit was avoided by stringing the purchases into two or more separately invoiced transactions.

Auditor's Recommendation

We recommend the Department of Administration comply with the West Virginia State Auditor's Office, State Purchasing Card Program's Policies and Procedures and the State of West Virginia, Department of Administration's Purchasing Division's *Agency Purchasing Manual*.

Agency's Response

In January 2002, the Deputy Director of General Service began a stringent review and approval of purchase cardholder transactions. He now reviews all monthly statements and supporting documentation. (See pages 28-30.)

Authorization of Purchasing Card Receipts

11. We noted 11 instances of purchasing card receipts signed by someone other than the authorized cardholder.

Auditor's Recommendation

We recommend the Department of Administration comply with the West Virginia State Auditor's Office, State Purchasing Card Program's Policies and Procedures.

Agency's Response

In January 2002, the Deputy Director of General Service began a stringent review and approval of purchase cardholder transactions. He now reviews all monthly statements and supporting documentation. (See pages 31 and 32.)

Late Payments Paid on the Purchasing Card

12. We noted two payments of past due invoices that were paid with the Purchasing Card. These charges, for water cooler rental and bottled water, were billed monthly by the vendor, but were not paid when they were due.

Auditor's Recommendation

We recommend the Department of Administration comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code.

Agency's Response

In January 2002, the Deputy Director of General Service began a stringent review and approval of purchase cardholder transactions. He now reviews all monthly statements and supporting documentation. (See pages 32 and 33.)

**WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION - PARKING OPERATIONS**

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the West Virginia Department of Administration's General Services Division's Parking Operations. The audit covered the period July 1, 1999 through June 30, 2001.

SPECIAL REVENUE ACCOUNT

All expenditures required for the general operation of the Department of Administration's General Services Division's Parking Operations are accounted for through the following special revenue fund:

<u>Fund Number</u>	<u>Description</u>
Parking Lots Operating Fund:	
2240-999	Unclassified
2240-640	Departmental and Miscellaneous Income

COMPLIANCE MATTERS

Chapter 5A, Article 4, Section 5 of the West Virginia Code generally governs the Department of Administration's General Services Division's Parking Operations. We tested the above code section plus other general State regulations and other applicable chapters, articles and sections of the West Virginia Code as they pertain to financial matters. Our findings are discussed below.

Lack of Effective System of Internal Controls

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

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

“The head of each agency shall:
... (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities. . . .”

This law requires the agency head to have in place an effective system of internal controls in the form of policies and procedures set up to ensure the agency operates in compliance with the laws, rules and regulations which govern it.

During our audit of the Department, we found the following noncompliance with State laws or other rules and regulations: (1) The Department has failed to notify the Circuit Court of Kanawha County, West Virginia that the parking guards who pled guilty to the theft of parking meter revenues, have not been making the Court ordered restitution payments. (2) The Department has not developed adequate procedures for the safe guarding of revenues collected from the parking meters, nor has the procedures in effect been consistently applied due to lack of management supervision. (3) The Department has not enforced it’s rules in the issuance and collection of unpaid citations. (4) Under the Department’s current parking rules, it is to an individual’s advantage to receive two parking citations daily at a cost of \$6.00 rather than pay the daily cost of a parking meter

which could cost up to \$9.00. (5) We noted 24 invoices totaling \$34,191.62 that did not have the appropriate approval signature. (6) Our examination of employees' sick and annual leave balances indicated differences of 35.75 hours between the employees' leave balances and their corresponding leave request forms or time sheets. (7) Division of Personnel Administrative fees, which are based on Full Time Equivalent (FTE) positions paid from a fund were overpaid by \$595.00. (8) The Department was not able to provide us with supporting documentation for many of the disbursement and payroll transactions of the Parking Lots Operating Fund. (9) During our examination of Purchasing Card transactions, we noted three instances of the appearance of "stringing" purchases, from a vendor on a single day into separate invoices to remain under the transaction limit of \$1,000.00 per day. (10) We noted 11 instances of purchasing card receipts signed by someone other than the authorized cardholder. (11) We noted two payments of past due invoices paid with the Purchasing Card.

We believe if the Department had an effective system of internal controls in place, management would have been aware of noncompliance with the West Virginia Code at an earlier date and would have been able to take corrective action in a more timely fashion. The following pages of this report contain additional information regarding the specific noncompliances with the West Virginia Code which came to our attention.

We recommend the Department of Administration comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended and establish a more effective system of internal controls.

Agency's Response

No response by the Department of Administration.

Department Not Seeking Restitution From Parking Guards

Following an investigation in the Spring of 1998, by the Legislature's Commission on Special Investigations, two parking guards were charged with Unlawfully Appropriating State Money (Parking Guard One) and Accessory After the Fact to Embezzlement and Giving False Statements (Parking Guard Two). The guards pled guilty to the charges filed against them, were placed on probation, and ordered by the Circuit Court of Kanawha County, West Virginia (Court) to make restitution to the Department of Administration (Department). Parking Guard One was placed on three years probation effective March 5, 1999 and ordered to make restitution in the amount of \$27,721.88. As of January 31, 2002, he has only repaid a total of \$885.00. Parking Guard Two was placed on one year probation effective December 10, 1998 and ordered to make restitution in the amount of \$500.00 in monthly increments of \$41.66 per month. As of January 31, 2002, he has only repaid a total of \$40.00. The Department has failed to notify the Court that the Parking Guards have not been complying with the Court's restitution orders.

The Department filed a claim with the Board of Risk and Insurance Management (BRIM) in the amount of \$27,721.88 to recover the losses from the theft of the parking meter monies. BRIM is a State agency supported by premiums from participants that provides a comprehensive risk management (insurance) program to qualifying participants. The above amount was attributable only to Parking Guard One and did not include the \$500.00 loss attributable to Parking Guard Two. The Department was paid \$26,721.88 in February 2000, the amount of the claim less the \$1,000.00 Agency deductible. Although the Department has been reimbursed the major portion of the loss by BRIM, the State of West Virginia still has not recovered \$27,296.88 because the parking guards have not made restitution as set out in the Court Orders. We found no evidence the Department had contacted the Court regarding the nonpayment of the monthly restitutions.

Parking Guard One was placed on three years probation and ordered by the Court to make restitution to the Department in the amount of \$55,423.24. The Court Order states in part:

"... It is further considered by the Court that the defendant be placed on probation to be supervised by the Adult Probation Department of this Court for a period of three (3) years effective March 5, 1999, upon the following terms and conditions, viz:

. . . The Court finds that the total loss to the Department of Administration, State of West Virginia, the victim, is \$55,423.24, and hereby fixes judgement in favor of the Department in that amount. Probationer shall forfeit and discharge to the Department any claim he may have as concerns funds in the West Virginia Public Employees Retirement Fund as well as his accrued annual leave account which total amount is \$13,975.43, towards satisfaction of the restitution herein Ordered. Probationer shall also forfeit a red Chevy S-10 pickup truck (VIN# 1GCCT14R9H2134041) to the Department for disposition, the proceeds of which shall be attributed to the satisfaction of restitution, as herein Ordered. Probationer shall make regular monthly payments through the Office of the Circuit Clerk toward the remaining balance payable to the Department as Ordered and Directed by the supervising Probation Officer. . . ."

The above amount of \$13,975.43, the \$3,400.00 from the sale of the truck and the \$10,325.93 that was recovered in Parking Guard One's home totaled \$27,701.36, leaving a restitution balance of \$27,721.88. As of January 31, 2002, Parking Guard One should have made a total of 34 payments to the Department, however, only 18 sporadic restitution payments totaling \$885.00 have been made, leaving a restitution balance of \$26,836.88.

Parking Guard Two was placed on one year probation, effective December 10, 1998, and ordered by the Court to make restitution to the Department in the amount of \$500.00, payable in regular installment of \$41.66 per month. The Court Order states in part:

"... It is further considered by the Court that the defendant be placed on probation to be supervised by the Adult Probation Department of this Court for a period of (1) year effective December 10, 1998, upon the following terms and conditions, viz:

Probationer shall make restitution in the total amount of \$500.00 to the West Virginia Department of Finance and Administration payable in regular installments of \$41.66 per month for the loss or damages caused by the crime(s); . . .”

As of January 31, 2002, Parking Guard Two had made five restitution payments, two at \$5.00 each and three at \$10.00 each totaling \$40.00, the first payment was made on June 15, 1999 and the last payment was made on November 9, 1999, leaving a balance of \$460.00.

We recommend the Department of Administration contact the Circuit Court of Kanawha County, West Virginia in an effort to collect the restitution balance.

Agency's Response

New procedures were put in place in February 2002 for Accounting to formally notify the Department's legal representatives of the progress made toward restitution. A garnishment will be filed with the Court the week of March 4, 2002, to attach Mickey Farmer's wages. Legal options involving other individuals who still owe restitution are being explored.

Weak Internal Controls Over Parking Meter Collections

The Department of Administration (Department) has not developed adequate procedures for safeguarding revenues collected from parking meters as recommended in various reports conducted by the Legislative Auditor's Office. Collections from the parking meters for fiscal years 2001 and 2000 totaled \$155,470.97. The current procedures in effect as of the date of this report, as well as those procedures used in the past, are not consistently applied due to lack of management supervision. The lack of managerial controls was evident in the \$55,923.24 theft of parking meter collections during the period 1993 through the summer of 1998. A December 1998 Special Report and its July 1999 follow-up performed by the Legislative Auditor's Office's Performance, Evaluation and Research Division cited the Department for not implementing internal controls for the collection of parking meter revenues. Implementing internal controls had been

recommended in a 1982 audit issued by the Legislative Auditor's Office's Post Audit Division. If management had implemented adequate controls such as monitoring deposits and periodic random rotation of staff in the collection of parking revenues, the theft of the revenues could possibly have been prevented. During the five and one-half year time-frame of the theft of the parking revenues, the same parking guard was responsible for the collection and delivery of the revenues to the Treasurer's Office. Also, the fluctuations in deposits from month to month were a clear indication that something was occurring in the collection process. Under current procedures, the Department delivers the collections to a depository bank and relies on the bank to calculate the amount of the deposit.

In the procedures established after the theft, as well as those procedures currently in effect, evidence is prevalent that management supervision of the controls is still lacking. A sign out log for keys to the meters and collection canister has not been maintained as described to us and in most cases signed only by one individual. We were unable to determine if collections were made by one person alone or by more than one person and if the duty is rotated among employees. We were also told that an additional safeguard had been implemented using the Capitol Protective Services (Protective Services). Protective Services would be notified by the Department prior to the collection of parking meter revenues and in turn would follow and record the process with security cameras, zooming in on the employees collecting the revenues. However, on the day we witnessed the process and checked with Protective Services, they said they had not been notified the process was going to take place. The weaknesses in the current procedures and the lack of management supervision increases the risk of theft, misapplication, and misappropriation of collections as occurred in the summer of 1998.

In February 2001, nearly all parking meters were replaced with new digital meters containing sealed canisters inside the meters where the coins are deposited once inserted into the meter. The new meters added additional control in the collection process since the coins cannot be removed from the canisters by an individual without destroying them. The coin canister must be inserted into an unlocking mechanism attached to a large locked coin canister. The digital meters come with an option to track the coins deposited, however this option was not purchased by the Department due to excessive cost. With the installation of the new meters, procedures were again changed on February 28, 2001. The major change occurring this time is the lack of involvement with the State Treasurer's Office. The large locked coin canister is now delivered directly to the depository bank. The Department met with the Treasurer's Office Staff and was given permission to direct deposit the parking meter collections.

Since the Department does not count the money before it is deposited nor witness the depository bank's count of the money, the possibility of errors, mistakes or theft at the bank level can not be detected. The Department is trusting the depository bank to accurately deposit the parking meter collections. According to Department personnel, this new procedure is an effective control because the employees of the State do not have physical contact with the money.

Agency heads are required by law to safeguard the assets of the State. Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part,

"The head of each agency shall:
... (b) **Make and maintain records containing adequate and proper documentation** of the organization, functions, **policies, decision, procedures** and essential transactions of the agency designed to furnish information to **protect the legal and financial rights of the state** and of persons directly affected by the agency's activities. . . ." (Emphasis added)

A governmental entity's internal control structure is defined as the policies and procedures established to provide reasonable assurance that specific entity objectives will be achieved. An internal control structure consists of five elements: (1) the control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure; (2) Risk assessment is the entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed; (3) Control activities are the policies and procedures that help ensure that management directives are carried out; (4) Information and communication are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities. (5) Monitoring is a process that assesses the quality of internal control performance over time.

The establishment and maintenance of a system of internal controls is the responsibility of management. The overall control environment is set by management within an entity. Management's attitude, awareness and supervision are essential to the success of any control system.

We recommend the Department of Administration comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

Agency's Response

The responsibility for coin collections has been transferred to the Accounting Section effective December 2001. Procedures have been formalized to insure proper segregation of duties and dual control of the collections.

Department Not Enforcing Parking Rules

The Department of Administration (Department) has not enforced its rules in the issuance and collection of unpaid parking citations. During the months of November 2000 and January 2001, money was not collected from the parking meters and parking citations were not issued. During the period July 1, 1999 through June 30, 2001, the Department issued citations totaling \$45,459.00 and collected only \$21,085.32 or 46% of the citations issued.

We were not given an explanation why collections were not made from the parking meters during the month of November 2000. However, the month of January 2001 was the transition month in which the new parking meters were installed and visitor parking was moved from within the parking garage to the outside perimeter, therefore, the Department decided not to make collections for this month. For the citations, staff of the Department's Accounting Section stated that employees had not been available to review the files or to attempt to collect the delinquent amounts. However, they have been waiting for the Secretary of Administration to approve the letter to be sent to violators for the collection of unpaid citations. As of August 2001, approval had not been received.

The Department has rules in effect for the issuance and collection of parking citations.

Legislative Rule Title 148, Series 6 Parking, concerning parking meters, states in part:

"Section 4. Metered Parking.

The Secretary of Administration may install parking meters in any areas designated for parking he or she considers prudent to permit convenient parking spaces for visitors to the capitol. The amount to be charged for parking at meters shall be determined by the Secretary."

"Section 6.2. Metered Parking. The owner of a motor vehicle parked at a parking meter with elapsed time during the hours of 9:00 a.m. through 4:00 p.m. Monday through Friday, except holidays, is subject to an overtime parking fine in accordance with Section 7 of

this rule. Motor vehicles ticketed between 9:00 a.m. and 12:00 noon may be ticketed again between the hours of 1:00 p.m. and 4:00 p.m. with each ticket containing an overtime parking fine in accordance with Section 7 of this rule. In no event may a singular vehicle at a single parking meter be ticketed more than twice in one working day.

Legislative Rule Title 148, Series 6 Parking, Section 7.2 concerning payment of fines states:

Section 7.2. Payment. "Payment of fines is required within seventy-two (72) hours of the time the ticket was issued to either the ticket receipt boxes provided by the Department of Administration or to the address printed on the ticket. Fines not paid within seventy-two (72) hours are subject to an additional fine not to exceed five dollars (\$5.00). A summons may be issued for tickets not paid within (14) days."

With the Department not enforcing collection of the parking citations from violators, the possibility exists for individuals to park at the Capitol Complex parking meters for free, which in turn may result in the Parking Lots Operating Fund becoming underfunded. The expenses of maintaining the parking facilities may have to be paid by other funds within the Department.

We recommend the Department of Administration comply with Sections 4, 6.2, and 7.2 of Legislative Rule 148, Series 6, Parking.

Agency's Response

The administrative oversight of the parking operations was reassigned to the Purchasing Division effective December 2001. The database of unpaid violations has recently been updated. Collection letters to violators will be sent in March 2002. Cabinet secretaries, bureau commissioners, and agency heads will receive copies of such letters sent to the employees in their respective agencies. The Accounting Section will provide regular reporting to the Purchasing Division to facilitate collection of amounts owed.

Fines Cheaper Than Paying Daily Cost of Parking Meters

Under the Department of Administration's (Department) current parking rules, Legislative Rule 148, Series 6 Parking, it is to an individual's advantage to receive two parking tickets daily (the maximum) rather than pay the daily cost of a parking meter. According to the Department's Parking Rules, a total of two parking tickets may be issued during a six hour period each work day (9:00 a.m. through 12:00 noon and 1:00 p.m. through 4:00 p.m.) for a minimum of \$3.00 per violation or a maximum of \$6.00 per day. The new parking meters installed at the Capitol Complex parking facilities currently require a fee of \$1.00 per hour. Therefore, if an individual parks at one of these meters all day during the normal work hours of State agencies (8:00 a.m. through 5:00 p.m.) and pays the required fee, the individual would spend \$9.00, which is \$3.00 higher than the cost of the two citations.

The same effect applies here as previously mentioned that the Department is losing money which in turn may result in the Parking Lots Operating Fund becoming under funded and the expenses of maintaining the parking facilities to come from other funds within the Department.

Legislative Rule Title 148, Series 6 Parking states in part:

"6.2. Metered Parking. The owner of a motor vehicle parked at a parking meter with elapsed time during the hours of 9:00 a.m. through 4:00 p.m. Monday through Friday, except holidays, is subject to an overtime parking fine in accordance with Section 7 of this rule. Motor vehicles ticketed between 9:00 a.m. and 12:00 noon may be ticketed again between the hours of 1:00 p.m. and 4:00 p.m., with each ticket containing an overtime parking fine in accordance with Section 7 of this rule. In no event may a singular vehicle at a single parking meter be ticketed more than twice in one working day.

7.1 Fines. A person who violates this rule is subject to the following fines:

Handicapped Area	\$100.00
Legislative Parking Area	4.00
Reserved Parking Area	4.00

Parking in Travel Lane	4.00
Overtime Parking	3.00
No Parking Area	3.00
Improper Parking	3.00"

When we brought this matter to the attention of the Director of the General Services Division, he said the Department is aware of the situation and is in the process of amending the rules to increase the cost of overtime parking violations to an amount that would discourage individuals from not wanting to deposit money into the parking meters.

We recommend the Department of Administration amend Legislative Rule Title 148, Series 6 Parking, Sections 6.2 Metered Parking and 7.1 Fines.

Agency's Response

The Department of Administration proposed changes to Legislative Rule 148, Series 6, Parking, to address the financial disincentive to pay the parking meters. That proposed rule is being deliberated in the 2002 legislative session.

Authorization of Invoices for Payment

In our test of disbursement transactions, we noted 24 invoices totaling \$34,191.62 that did not have the appropriate approval signature needed for payment.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

"The head of each agency shall:
 . . . (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities. . . ."

According to the procedures described to us by the Department's Projects Manager and the Accounting Technician, General Services Division's invoices are sent to the Projects Manager or

the Director of General Services for their signature approving them for payment. However, of the 24 invoices mentioned above we noted 19, totaling \$28,974.00 were signed only by the Accounting Technician with the stamp certifying the items had been received and were approved for payment. We also noted five invoices, totaling \$5,217.62, which did not have any signature.

If invoices are being approved for payment by someone other than the person responsible for approval, payments could be made from the Parking Lots Operating Fund for purchases that have not been authorized or for items or services that have not been received by the Department.

We recommend the Department of Administration comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

Agency's Response

The Department is in the process of updating procedures to insure that all transactions are properly approved before submission for payment. Procedures will be established within the Accounting Section to maintain a list of authorized persons. The target date to complete these activities is March 31, 2002.

Incorrect Leave Balance

During our examination of employees' sick and annual leave balances, differences were noted for two employees when comparing the employees' leave balances to their corresponding leave request forms and time sheets. The employees' leave balances do not accurately reflect the leave taken according to their completed leave request forms and/or time sheets. The first employee completed an *Application For Leave With Pay* form on August 11, 1999 for 40 hours of annual leave for the period September 7, 1999 through September 13, 1999. However, only eight hours of annual leave was deducted from the employees leave records. Therefore, there is a 32 hour difference

between the employee's leave record and leave request form which is signed by both the employee and supervisor. The Department of Administration was unable to provide us with the employee's time sheet for the period for verification of actual time worked.

The second employee's time sheet for the week ending December 15, 2000 indicated 3.75 hours of leave were used on December 15, 2000. The time sheet was signed by both the employee and supervisor, but the type of leave was not indicated. The Department could not provide us with the employee's leave request form, and the employee's leave records did not indicate any leave had been used.

As a result of the differences between the leave records, leave request forms and corresponding time sheets, the two employees had overstated leave balances of 32 hours and 3.75 hours, respectively.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

"The head of each agency shall:
... (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities. . . ."

According to the Administrative Secretary of the General Services Division, leave is only entered into the leave system when a completed time sheet and leave request form have been received. The Administrative Secretary is not sure why there are differences between these records, but it appears the 3.75 hours indicated on the time sheet were never entered into the leave system.

We recommend the Department of Administration comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

Agency's Response

In February 2002, the Department of Administration implemented a new automated leave system. Updated procedures were developed and continue to be refined for the new system. Multiple levels of review and approval for leave transactions are a key part of the system. The use of leave will be entered by timekeepers. Adjustments will be determined by the Payroll Section and communicated to the timekeepers for entry. The Payroll Section will review the leave entries for accuracy.

Overpayment of Division of Personnel Administrative Fees

Division of Personnel Administrative fees, which are based on the total Full Time Equivalent (FTE) positions paid from a fund, were overpaid by \$595.00. The details are explained below.

<u>Fiscal Year</u>	<u>Amount Actually Paid for Personnel Administrative Fees</u>	<u>Audited Amount of Personnel Administrative Fees</u>	<u>Difference</u>
2001	\$1,190.00	\$935.00	\$255.00
2000	\$1,190.00	\$850.00	\$340.00

The Parking Lots Operating Fund paid \$595.00 in excess of the amount due for personnel administrative fees. This additional amount was not a legitimate or authorized disbursement of the fund.

The Personal Services Expenditure Schedules indicate the Parking Lots Operating Fund had a total of five and one-half and five FTE positions for fiscal year 2001 and 2000, respectively; and according to the State of West Virginia's Expenditure Schedule Instructions for Fiscal years 2001 and 2000, the Division of Personnel Administrative fees should cost \$170.00 for

each permanent FTE position paid from the fund per year, which totaled \$935.00 for fiscal year 2001 and \$850.00 for fiscal year 2000. However, according to the schedules supporting the actual WVFIMS payment transactions, the Parking Lots Operating Fund paid \$1,190.00 for personnel administrative fees for each fiscal year.

We recommend the Department of Administration request reimbursement from the Division of Personnel for the overpayments.

Agency's Response

The Department will formalize the procedures in place for proper payment of administrative fees. The target date for completion of this activity is March 31, 2002. The Payroll Section will request reimbursement from the Division of Personnel for the overpayments noted in the report.

Supporting Documentation

The Department of Administration (Department) was not able to provide us with supporting documentation for many of the disbursement and payroll transactions of the Parking Lots Operating Fund. The following documents were not available: two invoices supporting payment transactions in the amounts of \$8,650.00 and \$491.00; receipts and invoices supporting the purchasing card statement for January 2001; an independent appraisal of land purchased by the Agency, which is used to determine the value and purchase price of the property; time sheets for the period July 1, 1999 through December 31, 1999 for employees paid from the Parking Lots Operating Fund; three Application For Leave With Pay request forms; and, the EPICS February 15, 2001 payroll register.

Since the Department was unable to provide us with these documents supporting payment transactions, we were unable to verify if the proper amounts were paid, if the disbursements were authorized and approved as an actual State expenditures, and if the payments were paid

promptly. Also, without the time sheets we were unable to verify the accuracy of the sick and annual leave balances and to determine if overtime payments were properly authorized and correctly paid.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

“The head of each agency shall:
... (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities. . . .”

West Virginia State Auditor’s Office, State Purchasing Card Program’s Policies and Procedures dated July 2000 states in part:

“... A receipt is required for all transactions. A receipt must contain specific information and meet certain conditions:
An invoice marked “Paid” or showing no balance due, must be provided. . . .”

We recommend the Department of Administration comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended and the West Virginia State Auditor’s Office, State Purchasing Card Program’s Policies and Procedures.

Agency’s Response

The Accounting Section will review its archiving practices.

Stringing of Purchases

During our examination of the Purchasing Card transactions, we noted three instances of purchases on a particular day from a single vendor that exceeded the Purchasing Card transaction limit of \$1,000.00. The transaction limit was avoided by stringing the purchases into two or more separately invoiced transactions. Individually, the transactions are less than \$1,000.00 , but the total amount of the items purchased is over the transaction limit. The details of these split transactions are described as follows:

<u>Item Description</u>	<u>Invoice Date</u>	<u>Date Paid</u>	<u>Amount</u>
Ballasts	02/09/01	02/13/01	\$ 540.00
Ballasts	02/09/01	02/13/01	<u>540.00</u>
			<u>\$1,080.00</u>
Paint	08/14/00	08/14/00	\$ 453.00
Paint	08/14/00	08/14/00	753.72
Paint	08/14/00	08/14/00	<u>61.50</u>
			<u>\$1,268.22</u>
Signs	1/25/00	1/25/00	\$ 423.00
Signs	1/25/00	1/25/00	<u>643.00</u>
			<u>\$1,066.00</u>

Also, there is a greater possibility purchases may have been made without proper authorization because under the Department of Administration's Purchasing Division rules and regulation governing purchases, a purchase order is required and bids should be obtained when possible for purchases over \$1,000.00.

West Virginia State Auditor's Office, State Purchasing Card Program's Policies and Procedures states in part:

... **Stringing** - The intentional manipulation of the ordering, billing or payment process in order to circumvent the transaction limit . . . Stringing of purchases/charges is strictly prohibited. . . .

... **Transaction Limit** - For the period beginning July 1, 1998, the maximum dollar amount permitted in a single transaction is \$1,000.00 . . ."

Section 6.1.2 of the Department of Administration's, Purchasing Division's Agency

Purchasing Manual states in part:

"\$1,001 to \$5,000: A minimum of three (3) verbal bids shall be obtained *when possible*. Document and record all bids for public record. . . . An *Agency Purchase Order, WV-88, or TEAM-Generated Purchase Order* is required. . . ."

In a fiscal year 1999 post-audit of certain purchasing card transactions, by the Office of the State Auditor's Purchasing Card Post-Audit Staff, the General Services Division was written up for "Stringing of Purchases". The Audit stated in part:

". . . The field audit revealed instances in which invoices were split and processed as separate transactions. This appears to be an attempt to circumvent the one thousand-dollar transaction limit."

The Purchasing Card Program recommended the General Services Division follow current Policies and Procedures and stay within the \$1,000.00 transaction limit. The Division replied that policies and procedures would be followed.

According to the Staff of the General Services Division, the purchases were either from separate work orders, which are completed for individual jobs performed by General Services, or back orders. Staff also stated the orders may have been placed at different times, but the vendor completed the orders and billed the Division on the same day.

We recommend the Department of Administration comply with the West Virginia State Auditor's Office, State Purchasing Card Program's Policies and Procedures and the State of West Virginia, Department of Administration's Purchasing Division's Agency Purchasing Manual.

Agency's Response

In January 2002, the Deputy Director of General Service began a stringent review and approval of purchase cardholder transactions. He now reviews all monthly statements and supporting documentation.

Authorization of Purchasing Card Receipts

While reviewing the receipts supporting the purchasing card transactions paid from the Parking Lots Operating Fund for fiscal years 2000 and 2001, we noted 11 instances of purchasing card receipts signed by someone other than the authorized cardholder. The purchasing cards are issued to the two Purchasing Assistants for the General Services Division; however, 11 credit card receipts totaling \$3,893.97 were signed by other employees within the General Services Division.

When purchasing cards are used by individuals other than the authorized cardholder, the security of the purchasing card is compromised. Therefore, there is a greater possibility of unauthorized purchases and purchases that are not for the benefit of the State.

West Virginia State Auditor's Office, State Purchasing Card Program's Policies and Procedures dated July 2000 states in part:

"... **Card Delegation** - The process of allowing an individual other than the cardholder whose name appears on the front of the purchasing card to initiate or complete a transaction. . . . The person's name appearing on the purchasing card is responsible for all transactions appearing on the statement and is responsible for each card issued in his or her name. . . Card Delegation is strictly prohibited. . . ."

Card security was also mentioned in the audit of certain purchasing card transactions by the Office of the State Auditor's Purchasing Card Post-Audit staff. The Audit stated in part:

"... The field audit revealed instances in which more than one person is authorizing transactions using the same Purchasing Card. The audit revealed that it is common practice to allow employees who are not cardholders to sign credit card receipts, . . . This situation creates serious security risks for the individual cardholders that are responsible for every purchase made on their card.

. . . The Purchasing Card Program recommends that individual cardholders keep their Purchasing Card in a secure location at all times. If an employee needs to pick up an order that was paid for with the Purchasing Card by phone, the Purchasing Card Program

recommends that the employee sign an itemized invoice, and that the credit card receipt be faxed to the actual cardholder.”

The General Services Division staff stated that they believed this was the most important finding in the report and they were implementing steps to overcome the finding.

According to the Staff of the General Services Division, phone orders are placed by the Purchasing Assistants. However, because of the large volume of purchasing card purchases and their additional purchasing duties, it is not possible for the Purchasing Assistants to take time to pick up these purchases. Therefore, other employees frequently pick up these items ordered with the purchasing card and consequently sign their name to the receipt.

We recommend the Department of Administration comply with the West Virginia State Auditor’s Office, State Purchasing Card Program’s Policies and Procedures.

Agency's Response

In January 2002, the Deputy Director of General Service began a stringent review and approval of purchase cardholder transactions. He now reviews all monthly statements and supporting documentation.

Late Payments Paid on the Purchasing Card

In our examination of the Purchasing Card transactions, we noted two payments of past due invoices that were paid with the Purchasing Card. These charges, for water cooler rental and bottled water, were billed monthly by the vendor but were not paid when they were due.

Invoices for the months of May 1999 through July 1999 were paid with the Purchasing Card on October 15, 1999. There were nine invoices for these three months totaling \$442.90. The invoices were not date stamped received, therefore, we were unable to determine how long the Division had the invoices.

In addition, we noted charges for bottled water and water cooler rentals for the months of March 2000 through December 2000, which were not paid until April 26, 2001 on the

purchasing card. During this period, there were 30 invoices totaling \$1,294.20, and only three were receipt date stamped. The three invoices for the September 2000 charges were received on October 19, 2000; however, payment was not made until April 26, 2001, which is 129 days beyond the 60 days allowed by the State Code. We were unable to determine the receipt date for the remaining 27 invoices.

The West Virginia Code requires invoices to be paid promptly within 60 days of their receipt; however, the Department has circumvented this requirement by using the purchasing card to pay these late invoices. Additionally, interest should have been assessed for the days each invoice was outstanding after the 60th day of receipt for that invoice.

Chapter 5A, Article 3, Section 54 of the West Virginia Code states in part:

“Any properly registered and qualified vendor who supplies services or commodities to any state agency shall be entitled to prompt payment upon presentation to that agency of a legitimate uncontested invoice. . . a state check shall be issued in payment thereof within sixty days after a legitimate uncontested invoice is received by the state agency receiving the services or commodities. Any state check issued after such sixty days shall include interest at the current rate, ...”

According to the Purchasing Assistant, the Department was simply behind in paying this vendor and is now trying to keep the payments current; and, the late payments resulted from the time taken to gather all the documents for processing the payments.

We recommend the Department of Administration comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code.

Agency's Response

In January 2002, the Deputy Director of General Service began a stringent review and approval of purchase cardholder transactions. He now reviews all monthly statements and supporting documentation.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of cash receipts, disbursements and changes in cash balance of the General Services Division's Parking Operations of the West Virginia Department of Administration for the years ended June 30, 2001 and June 30, 2000. The financial statement is the responsibility of the management of the General Services Division's Parking Operations of the West Virginia Department of Administration. Our responsibility is to express an opinion on the financial statement based on our audit.


Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statement is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient competent evidential matter to determine whether recorded parking meter revenues of \$73,401.03 and \$82,050.94 at June 30, 2001 and June 30, 2000, respectively, represent the amounts actually collected because of the Department of Administration's weak internal controls over the collection of such revenues. The Department of Administration delivers parking meter collections to a depository bank and places complete reliance on the depository bank to determine the amount of the collected parking meter revenues. Also, the Department of Administration's internal control structure over parking meter revenues periodically allowed only one individual to collect revenues from the parking meters with subsequent delivery of such revenues to the depository bank without the amount of collected parking meter revenue being witnessed or independently verified by another employee. We were unable to apply alternative procedures to satisfy ourselves as to the fairness of the amounts.

As described in Note A, the financial statement was prepared on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for our inability to determine the actual amounts of collected parking meter revenue as set forth in the preceding paragraph, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenses paid from the General Services Division's Parking Operations of the West Virginia Department of Administration for the years ended June 30, 2001 and June 30, 2000 on the basis of accounting described in Note A.

Respectfully submitted,


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

November 30, 2001

Auditors: Ethelbert Scott, Supervisor
Charles L. Lunsford, Auditor-in-Charge
Rhonda L. Combs
Melanie L. Nuckols, CPA
Trenton W. Morton

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION - PARKING OPERATIONS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>Parking Lots Operating Fund (2240-640)</u>		
Cash Receipts:		
Assigned Spaces Rental Income	\$340,545.43	\$370,352.68
Parking Meter Revenues	73,401.03	82,050.94
Parking Fines	7,329.07	13,756.25
Board of Risk and Insurance Management Proceeds	0.00	26,721.88
Parking Guards Restitution	<u>300.00</u>	<u>365.00</u>
	421,575.53	493,246.75
Disbursements:		
Personal Services	81,325.13	64,601.54
Annual Increment	950.00	0.00
Employee Benefits	38,039.72	28,940.97
Current Expenses	340,962.60	282,436.32
Repairs and Alterations	91,399.91	15,930.71
Equipment	58,890.09	12,867.65
Buildings	0.00	9,900.60
Land Purchases	160,015.88	0.00
Public Employees Insurance Reserve	<u>825.00</u>	<u>0.00</u>
	<u>772,408.33</u>	<u>414,677.79</u>
Cash Receipts (Under)/Over Disbursements	(350,832.80)	78,568.96
Beginning Balance	<u>581,775.72</u>	<u>503,206.76</u>
Ending Balance	<u>\$230,942.92</u>	<u>\$581,775.72</u>

See Notes to Financial Statements

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION - PARKING OPERATIONS
NOTES TO FINANCIAL STATEMENTS

Note A - Accounting Policies

Accounting Method: The cash basis of accounting is followed, therefore certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4.5% of their annual compensation and employees have vested rights under certain circumstances. The Department of Administration's General Services Division's Parking Operations matches contributions at 9.5% of the compensation on which the employees made contributions. The General Services Division's Parking Operations pension expenditures were as follows:

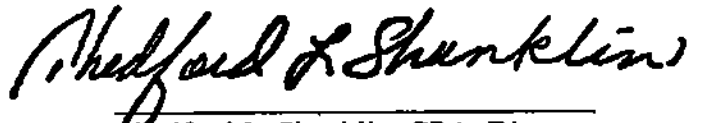
	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
Special Revenue	<u>\$7,850.15</u>	<u>\$6,137.35</u>

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

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

Given under my hand this 14th day of April, 2002.



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

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the West Virginia Department of Administration; Governor; Attorney General; and State Auditor.