

**WEST VIRGINIA LEGISLATURE**  
**Joint Committee on Government and Finance**

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**Legislative Post Audit Division**  
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**CHARLESTON, WEST VIRGINIA 25305-0610**

**MEMORANDUM**

**To:** Theford L. Shanklin, CPA, Director  
Legislative Post Audit Division

**From:** Ethelbert Scott, Jr. CPA, Audit Manager *ES*  
Peter J. Maruish, Jr., CPA, Auditor-in-Charge  
Michelle Hodge  
Jamie L. Gilbert

**Date:** March 9, 2006

**Re:** Review of Division of Homeland Security and Emergency Management (DHSEM) documents for the period of July 1, 2002 - June 30, 2005, and Significant Inventory Payments through February 3, 2006

On December 8, 2005, the Legislative Auditor and two members of the Post Audit Division met with the Cabinet Secretary of the Department of Military Affairs and Public Safety (DMAPS) and two of his staff members. At that time, the Cabinet Secretary requested our assistance for the following: (1) to determine the internal control weakness which brought about the misuse of the homeland security fund and our recommendation as to how to prevent the problem from reoccurring; and (2) to reconstruct the DHSEM records.

At a second meeting with the Cabinet Secretary on December 19, 2005, the Legislative Auditor told the Cabinet Secretary the Legislative Post Audit Division would first review the DHSEM paid invoices for fiscal years 2003, 2004 and 2005 located in the DHSEM office and the contents of four boxes brought from the Big Chimney Office for notations where the former Director of DHSEM promised funding to eligible entities. He also told the Cabinet Secretary after the review was completed, a decision would be made as to what was to be done next.

On December 20, 2005, you instructed us to review the DHSEM documents in three lateral file cabinets in the DHSEM office in the basement of the East Wing, and the contents of four boxes brought from the Big Chimney office of the DHSEM to determine the presence of any notation where the former Director of the DHSEM or the former Technological Hazards Division Director promised the DHSEM funds to local government agencies, fire departments, or hospitals. The lateral file

drawers contained paid WVFIMS invoices for fiscal years (FY) 2003, 2004, and 2005, as well as EPICS payroll records, WVFIMS deposits, and intra governmental transfers (IGTs), for the same fiscal years. Documentation within the four boxes from Big Chimney included: p-card log sheets and supporting documentation of the former Accounting Technician III; travel expense forms; requests from various entities for assistance or reimbursement of expenses incurred and paid by the entities; grant approval letters; letters regarding grant deadlines and grant compliance with federal guidelines; employee reimbursement requests; and contracts with entities and employees.

From December 21, 2005 to February 2, 2006, we reviewed these documents. During that time, we did not locate any notation where either the former Director of the DHSEM or the former Technological Hazards Division Director promised funding from the Homeland Security accounts (Account 8727 - Federal Consolidated Fund for Emergency Services) to any entity. However, we noted requests for assistance or reimbursement where the former Director of the DHSEM or the former Technological Hazards Division Director approved the payment by writing "OK" and affixing their signature on the requests. We noted these approvals predominantly during the last calendar quarter of 2004 and in 2005. All such approvals, we determined, were paid either from accompanying WVFIMS cover sheets, or by the research of the DHSEM comptroller.

As we were ending our review of the above documentation, it came to our attention the DHSEM did not have in place an uniform inventory system of the assets purchased with Homeland Security grant monies. Your examination of the Big Chimney Inventory list revealed the many emergency vehicles purchased with Homeland Security funds were not recorded on the list. The question was then raised about the ownership of these vehicles. Further, due to the uncertainty of the manner in which equipment and other items were being received at the warehouse, you determined the receiving process at Big Chimney needed clarified. Therefore, on February 3, 2006, you extended the scope of our assignment to include a review of these issues.

For the remaining of February 2006, we analyzed vehicle and equipment transactions from Crystal data from the Big Chimney Inventory, and Regional Response Team (RRT) equipment checkout lists. Also, we reviewed the grant guidelines for grant years 2003 and 2004, to determine the authorized and unauthorized uses of the grant funds in their respective grant year. In addition, we obtained and reviewed the contracts for the significant purchases of emergency vehicles and equipment.

During our review we noted the issues below which we believe could have been prevented if there had been adequate management oversight and stronger internal controls. We recommend the DHSEM put an uniform inventory system in place to reflect all items in its possession including those items titled in the name of the State (i.e., emergency vehicles and equipment) but granted to RRTs and local entities; and change titled equipment to reflect transfer of ownership, if applicable. Also, we recommend the DHSEM strengthen its controls over receiving to comply with West Virginia Code Chapter 12, Article 3, Section 10(f). In addition, we recommend the agency put into effect written accounting procedures; follow State policies and procedures; implement closer supervision over personnel; and perform continuous monitoring of spending. We further recommend the DHSEM strengthen its internal controls over grants, contracts, purchasing, p-card, and travel.

## **Summary of Issues**

The following are the issues that came to our attention:

- (1) Equipment inventory lists are incomplete (See page 4);
- (2) Ownership of emergency vehicles (See page 5);
- (3) Receiving reports are completed and signed by employees that do not receive and do not physically inspect the goods (See page 6);
- (4) The DHSEM's distribution of emergency equipment to RRTs is not properly documented on the Equipment Checkout Sheets (See page 8);
- (5) Significant purchases totaling \$298,102.00 did not have a valid contract (See page 9);
- (6) Purchases totaling \$249,850.97 were not supported by a contract (See page 10);
- (7) Expenditures for FY 2004 totaling \$7,717,173.81 were charged to Object Code 051 - Miscellaneous (See page 11);
- (8) A letter to the DHSEM from the Federal Government dated January 4, 2006, requested \$1,141,352.47 reimbursement for unallowable expenses paid through grant monies during FY 2002, 2003, and 2004 (See page 11);
- (9) Grant monies totaling \$214,047.00 were issued to local government entities prior to receiving invoices to support expenses (See page 12);
- (10) Stringing of purchases of two vendors totaling \$23,686.51 (See page 13);
- (11) Overpayment totaling \$13,065.93 for reimbursement of wages for paid fire departments and a paid agency (See page 14);
- (12) We were unable to determine whether payments totaling \$12,326.00 were linked to a grant through the DHSEM (See page 15);
- (13) Agency personnel offers to reimburse entity expenses totaling \$6,674.17 (See page 16);
- (14) P-card purchases totaling \$3,926.35 that should have been purchased from a statewide contract or were restricted items placed on p-card (See page 17);
- (15) Food purchases totaling \$351.59 were placed on p-card for working lunch meetings (See page 18);
- (16) Employee reimbursement for items not on receiving report totaling \$27.89 (See page 19);
- (17) Payment totaling \$2,600.00 issued from appropriated account due to the lack of funds in Account 8727 - Federal Consolidated Fund - Emergency Services (See page 19);
- (18) Payments to a contractor exceeded the contract amount by \$1,250.00 (See page 20);
- (19) Personal charges on an agency issued cell phone totaling \$858.00 (See page 20);
- (20) Unpaid invoices totaling \$659.02 (See page 21);
- (21) Lack of supervisory approval on travel expense account settlement forms (See page 21);
- (22) Travel reimbursement totaling \$423.50 lacked supporting documentation (See page 22);
- (23) Lodging totaling \$391.28 was not secured in the vicinity of travel (See page 22);
- (24) Lodging totaling \$255.06 that was direct billed to a county was reimbursed to a traveler (See page 23);
- (25) Reimbursement of personal cell phones charges relating to deployment totaling \$147.55 (See page 23);

- (26) Other Items Noted - Obligations to be incurred as of January 21, 2005 (See page 24);
- (27) Other Items Noted - Receiving Reports signed for emergency p-card purchases totaling \$247,531.93 and paid from account 6284 - Flood Disaster May/June 2004 - Governor's Civil Contingency Fund were completed and signed by an employee not receiving and not physically inspecting the goods (See page 25); and
- (28) Other Items Noted - Special handling of grant payments (See page 26).

### Equipment Inventory Lists

An examination of the Big Chimney Inventory list of 339 items, including protective clothing, emergency equipment and supplies revealed the list was incomplete as to the information it provided. More specifically, the original quantities purchased for 79 items on the list were not stated; the vendors for 136 items were not identified; and the purchase prices for 123 items were not stated. Further, the acquisition dates for all 339 items were not stated. For the inventory listing to be informative to the agency, as well as to interested parties, the required information must be provided. Based on the data provided on the inventory listing, the DHSEM purchased protective clothing, emergency equipment and supplies totaling at least \$13,218,685.47. As of December 29, 2005, the protective clothing and equipment and supplies inventory the DHSEM could account for at the Big Chimney warehouse totaled \$2,738,869.87. Also, a review of the DHSEM's WVFIMS Fixed Asset list reveals no new items have been added to the list since December 2003, except for 20 Gateway laptops purchased on November 15, 2004.

Chapter 5A, Article 3, Section 35 of the West Virginia State Code states, "...The head of every spending unit of state government shall, on or before the fifteenth day of July of each year, file with the director an inventory of all real and personal property, **and of all equipment, supplies and commodities in its possession as of the close of the last fiscal year, as directed by the director.**" (Emphasis added). Furthermore, the Department of Administration Purchasing Division Administration Services Section Inventory Management Surplus Property Disposition Part I, Section 3.6, states, "...any item which has an original acquisition cost of \$1,000 or more and a useful life of one (1) year is required to be entered into the WVFIMS Fixed Asset system. Although not required by the Purchasing Division, agencies may, however, enter property or equipment costing less than \$1,000 in the WVFIMS Fixed Asset system...."

Without complete inventory records, the DHSEM may have no effective means to manage its inventory. As a result, the likelihood of losses increases. We recommend the DHSEM put in place an uniform inventory system of all items in its possession including those items titled in the name of the State (i.e., vehicles and emergency equipment) but granted to RRTs and local entities. The data in the system should reflect not only the description of each item, the manufacturer, the location of the item, the vendor's name, acquisition cost; but also include the acquisition date, the assigned inventory number and serial numbers, where applicable. We further recommend the DHSEM comply with Chapter 5A, Article 3, Section 35 of the West Virginia State Code, and State purchasing policies and procedures.

### Agency's Response

*We concur with the findings of the audit and have addressed them, to include reinforcing DHSEM's compliance with State purchasing policies and procedures. Please note that at my direction, members of the West Virginia State Police, the Division of Protective Services, the National Guard, and others participated in a recent inventory and reorganization of the warehouse. The inventory information is now being entered into an appropriate inventory control software program. The field equipment of the Regional Response Program that had been distributed previously around the state is currently undergoing an inventory review and also will be entered into the inventory control software program.*

*In addition, procedures to control access to the warehouse were recently implemented. At this time only two warehouse keys exist. One is in the care, custody and control of a uniformed officer of the Division of Protective Services and warehouse personnel can access the building only in the presence of that uniformed officer. A second key is sealed and secured, in the Homeland Security State Administrator's Office.*

### Ownership of Emergency Vehicles

An examination of the agency WVFIMS Fixed Asset Inventory listing and the inventory listing of assets at Big Chimney shows the lack of accountability for significant value inventory items purchased by the DHSEM between July 1, 2001 and January 6, 2006. During this period, the DHSEM purchased \$6,238,211.28 in emergency vehicles for homeland security efforts throughout the State; however, only \$876,904.00 of this amount is accounted for in the agency's WVFIMS Fixed Asset Inventory listing. During an inspection of the warehouse on February 23, 2006, we observed various emergency vehicles being stored there; however, none of these vehicles were on the agency WVFIMS Asset Inventory listing. We learned from the Comptroller, at some point in time, the former Administrative Support Services Division Director, instructed the DHSEM accounting personnel that items purchased with Homeland Security grant monies would be granted, through grant documentation to RRTs and local government entities, and were not to be entered in the WVFIMS Fixed Asset System. Instead, a separate inventory listing would be kept by the DHSEM of all items to be granted to RRTs and local government entities. However, a review of this inventory listing showed the vehicles observed at the warehouse or those which were granted or placed throughout the State had not been added to the inventory list.

Since these vehicles do not appear on either of the DHSEMs inventory listings, the question arises as to the ownership of the vehicles while stored at the warehouse or after they have been granted. From a conversation with the Communications and Warning Officer, who currently oversees the receiving and issuing of the emergency inventory at Big Chimney, we were told the titled equipment received at Big Chimney is in the name of the State of West Virginia. Also, the Memorandum of Understanding used as an attachment to the grant document for the equipment issued to RRTs and eligible entities, and the Communications and Warning Officer's statement that local government entities are issued a PHH card to use for homeland security or emergencies, indicates ownership of these vehicles is retained by the DHSEM. If the DHSEM/the State is the owner, as facts bear, then

the question arises as to why these vehicles are not in the WVFIMS Fixed Asset System or on the Big Chimney inventory.

Chapter 5A, Article 3, Section 35 of the West Virginia State Code states, "...The head of every spending unit of state government shall, on or before the fifteenth day of July of each year, file with the director an inventory of all real and personal property, and of all equipment, supplies and commodities in its possession as of the close of the last fiscal year, as directed by the director." Furthermore, the Department of Administration Purchasing Division Administration Services Section Inventory Management Surplus Property Disposition Part I, Section 3.6, states, "...any item which has an original acquisition cost of \$1,000 or more and a useful life of one (1) year is required to be entered into the WVFIMS Fixed Asset system. Although not required by the Purchasing Division, agencies may, however, enter property or equipment costing less than \$1,000 in the WVFIMS Fixed Asset system...."

We learned from both the Communications and Warning Officer and the Comptroller, the matter of ownership of vehicles and equipment purchased by the DHSEM and later granted to RRTs and eligible entities is currently being discussed at DMAPS. Until a decision can be made on this matter, the DHSEM should inventory all significant value items along with the other items in inventory to be granted. In this manner, accountability for all items of inventory can be established and maintained. We also noted security of the warehouse included only locks, no security cameras, or other security equipment was implemented. We believe better security measures should be taken to safeguard the assets at Big Chimney from loss or theft.

Without ownership being established, equipment can be misused or misappropriated. We recommend the DHSEM comply with Chapter 5A, Article 3, Section 35 of the West Virginia State Code and State purchasing policies and procedures. We further recommend the DHSEM implement additional security at the Big Chimney warehouse to safeguard against loss of equipment.

### **Agency's Response**

***The previous Homeland Security Administrator ordered four emergency HAZMAT response vehicles that were delivered after the change of administration. They were ordered and titled in the name of the West Virginia Office of Emergency Services. The intent was and remains to subgrant them to local entities. They are currently included in DHSEM's new inventory list.***

### **Receiving and Receiving Reports**

We met with the Communications and Warning Officer; the temporary warehouse employee; and the former Technological Hazards Clerk, on February 27, 2006, to obtain an understanding of the receiving process at the warehouse while the former Technological Hazards Division Director was overseeing the RRT Program. The temporary warehouse employee and the former Technological Hazards Clerk were employees at the warehouse during that time, and are currently the only two employees who worked at the warehouse that are still employed by DMAPS.

The Communications and Warning Officer stated the Big Chimney warehouse has not received any equipment during the period in which he has been responsible for the warehouse; therefore, he was unaware of the receiving procedures. However, he stated all equipment, including vehicles, comes through the warehouse prior to distribution. The temporary warehouse employee stated the Big Chimney warehouse has not received equipment for approximately one year. The temporary warehouse employee further stated freight deliveries were made at the back of the warehouse. Upon the receiving of freight, the shipping documents or packing slips were matched to the equipment being delivered by the receiving employee. The receiving employee signed off on the shipping document or packing slip and unloaded the freight into the appropriate bay of the warehouse for storage. The shipping document or packing slip was then forwarded to the former Accounting Technician III, whose office was on the second floor of the building. She matched the document to the purchase order and the release order to ensure the shipment was correct. She would complete and sign the receiving report and attach it and any other supporting documentation to the invoice when it was received. The temporary warehouse employee stated he had never completed a receiving report when he received items.

The former Technological Hazards Clerk told us the extent of her receiving was for office supplies and paging someone to unload the trucks. She stated she would inspect the office supplies she received; sign the shipping document or packing slip; and forward the document to the former Accounting Technician III. She also stated she did not complete and sign the receiving report because she was not the p-card holder. The former Accounting Technician III was the p-card holder, and therefore, completed and signed the receiving reports. The former Technological Hazards Clerk stated the DHSEM's receiving policy for p-card purchases was: the p-card holder (on whose purchasing card the purchase was made) completed and signed the receiving report, and not the person receiving the goods. In the p-card holder's absence, items were still received. The p-card holder took the receiving employee's word the items were received and completed and signed the receiving report.

For items such as the emergency vehicles purchased from Hackney Emergency Vehicle and triage trailers purchased from Southeastern Emergency Equipment, the former Technological Hazards Regional Response Coordinator would sign for the vehicle at the manufacturer's place of business and deliver it to the warehouse; however, the former Accounting Technician III, the Comptroller, or the Accounting Technician III in the Accounting Division, completed and signed the receiving report. The temporary warehouse employee stated he observed the former Accounting Technician III did not always inspect the items received before she completed a receiving report. The former Technological Hazards Clerk stated she was not aware whether or not the former Accounting Technician III physically inspected equipment received in the warehouse bays. Finally, the Communications and Warning Officer, the temporary warehouse employee, and the former Technological Hazards Clerk were in agreement that all items are shipped directly to the warehouse and not anywhere else.

Based upon the procedures we documented on the receiving of vehicles and equipment at Big Chimney and our review of the receiving reports supporting the payment of items purchased with homeland security funds, we conclude the designated employee to receive the commodities was not

always the employee to sign the receiving report. Therefore, the DHSEM has not complied with Chapter 12, Article 3, Section 10(f) of the West Virginia Code which states, "The state officer or employee acting as head of each spending unit is responsible for the completion and timely submission of the receiving reports, which shall be prepared at the original point of receipt of the commodities of the spending unit by employees designated by the head of the spending unit to receive the commodities and prepare the receiving reports." The phrase "shall be prepared at the original point of receipt of the commodities" implies the employee who receives (i.e., observes the commodities being delivered, checks the commodities against the purchase order to determine the agency is receiving what it ordered, and they were in good condition) the commodities from the vendor or freight company by signing the bill of lading or other shipping document, is the employee who is required to sign the receiving report. It does not refer to an employee who was not present when the commodities were delivered or who was at another location remote to the point of delivery.

Unless the employee who receives the goods prepares and signs a receiving report, accountability for the purchased goods is not established. By signing the receiving report, the employee shows clear acceptance of the responsibility for the goods received. We recommend the DHSEM strengthen its controls over the receiving function to comply with Chapter 12, Article 3, Section 10(f) of the West Virginia Code. More specifically, the employee who receives the goods from the vendor or carrier, compares the goods received with the description of the goods on the purchase order, counts the goods, and inspects the goods for damages, is the employee to complete and sign the receiving report. An employee who has never seen the goods delivered or counted or inspected the goods for damages should not be signing the receiving report.

### **Agency's Response**

***We concur with the findings of the audit and have undertaken systemic changes to address them, to include re-emphasizing proper receiving procedures. However, please note that DHSEM does not intend to order nor receive more goods at the warehouse.***

### **Equipment Checkout Sheets**

A review of 13 Equipment Checkout Sheets for the issuance of equipment and protective clothing to RRTs, found in the boxes of files brought from Big Chimney, revealed the following: (1) None of the 13 checkout sheets were signed by the team member receiving the equipment, thus showing clear acceptance of responsibility for the equipment issued. The range in value of the equipment issued was from \$4,238.88 to \$342,894.50, with five issuances of equipment over \$100,000; (2) One of the checkout sheets did not list a contact person; (3) One of the checkout sheets did not list the regional response district; and (4) Ten of the checkout sheets did not give the location or address where the equipment was stored or an address or phone number of where the RRT contact person could be reached. Unless the DHSEM obtains a signed receipt for equipment issued to RRTs and local entities, subsequent accountability for purchased assets cannot be established.

In conclusion, our review indicated the DHSEM's distribution of emergency equipment to RRTs is not properly documented on the Equipment Checkout Sheets. As with the other inventory documents we reviewed, if spaces are provided on the respective forms for specific information about the

inventory item (i.e., description, serial number, inventory tag number, location, acquisition price and date) or information concerning the contact person (i.e., name, telephone number), then all of this information should be provided on the form if the form is to maintain its validity and usefulness to the agency or other interested parties. (The more information given for an item, better accountability for items is maintained).

#### **Agency's Response**

***We concur with the findings of the audit and have undertaken systemic changes to address them, to include: 1) revision of grant documents to require the signatures of all persons involved in the grant equipment distribution process, and 2) development of procedures for the issuance of equipment and protective clothing.***

#### **Significant Purchase Totaling \$298,102.00 Not Having a Valid Contract**

As a way of determining whether the DHSEM followed purchasing procedures when making significant dollar purchases, we selected 58 WVFIMS invoices (23 invoices of EAI Corporation; 1 invoice of Electronic Speciality Company; 9 invoices of Hackney Emergency Vehicles; 2 invoices of Motorola; 17 invoices of Safeware, Inc.; and 6 invoices of Southeastern Emergency Equipment) where the cost of the purchase was at least \$100,000.00. The total paid for items purchased on these invoices was \$15,162,070.01. For these invoices, we checked to determine whether there was a valid contract, an invoice, and a receiving report for the items purchased.

For all 58 WVFIMS invoices, we found a vendor invoice and receiving report. For all vendors we found a valid contract, with the exception of Electronic Speciality for the purchase of CCTV equipment (DVDs) and installation in the new command center at the DHSEM totaling \$298,102.00. The contract used by the DHSEM for this purchase was the Division of Protective Services' (PRS) open end contract-- PRS0040-- for security card access reader systems for the exterior and interior doors at the Capitol Complex. No where in the contract did we find the language for use by other agencies (i.e., piggy back). However, from a review of the paid invoice obtained through the State Auditor's Office, we noted a Release Order against the Division of Protective Services contract was obtained by the DHSEM.

West Virginia Purchasing Division Policies and Procedures Handbook, Section 8.10 Piggybacking Contracts, states, "...In accordance with §5A-3-19 of the West Virginia Code, the Purchasing Director 'may, upon the recommendation of a state spending unit, make purchases from the federal government, from federal government contracts..., if available and financially advantageous....'" Section 8.10 further states, "...State agencies are not authorized to obtain commodities and/or services from agency contracts, unless the contract(s) permits piggybacking...."

By not having a valid contract, the DHSEM may not be receiving the best price for commodities or services received. We recommend the DHSEM comply with State purchasing policies and procedures.

### Agency's Response

*DHSEM staff contacted the Division of Purchasing for guidance regarding the purchases. The items were purchased from an existing Division of Protective Services Contract (PRS0040) contract. DHSEM documents reflect a note from an employee of the Purchasing Division stating "agencies may use it (PRS0040) at Capitol Complex for equipment related to door lock system" and it is dated 5/19/04. Purchase was made on Release Order OES04236 in good faith that the purchase was allowable per the contract and direction from the Division of Purchasing.*

### Purchases Totaling \$249,850.97 Not Supported by a Contract

We noted 62 purchases totaling \$249,850.97 which were not supported by a contract, as follows: (1) Two payments to AM Trailer between April 2004 and November 2004 totaling \$11,635.00; (2) Twelve payments to High Sierra Electronic between October 2001 and November 2005 totaling \$73,296.50; (3) Three payments to Leonard Bldg. & Truck Assess between July 2002 and July 2004 totaling \$15,898.00; (4) One payment to Matthew Specialty Vehicles in May 2002 totaling \$9,495.00; (5) Three payments to Mobile Communications between June 2004 and July 2004 totaling \$20,817.54; (6) Two payments to PC Nation in November 2003 totaling \$13,126.56; (7) Eight payments to Seneca Communications between October 2001 and June 2004 totaling \$43,003.50; (8) Three payments to TCS Technology between April 2004 and July 2004 totaling \$12,910.42; (9) One payment and 35 p-card purchases to Staley Communications between September 2003 and April 2005 totaling \$30,460.20; and (10) 29 payments to Readford Signs between February 2002 and November 2004 totaling \$19,208.25.

West Virginia Purchasing Division Policies and Procedures Handbook 3.2 Agency Delegated Acquisitions (\$10,000 or Less) states, "...For purchases \$1,000.01 to \$5,000, three verbal bids are required, where possible, and should be documented on a Verbal Bid Quotation Summary (WV-49)...." Section 3.2 further states, "Purchases \$5,000.01 to \$10,000 require three written bids, where possible. Agencies should use the Request for Quotation (WV-43) to document those vendors solicited and their responses. Fax bids are acceptable and should be confirmed with an original copy within two working days...." West Virginia Purchasing Division Policies and Procedures Handbook 3.3 Formal Acquisitions (Over \$10,000) states, "...The Purchasing Division of the Department of Administration is responsible for acquiring all commodities and services on behalf of the state. Agencies under the executive branch of state government are required to process purchases expected to exceed \$10,000 through the Purchasing Division, unless statutorily exempt...."

By not following purchasing procedures, the DHSEM may pay more for the required item than necessary. We believe the DHSEM should have contracts for all purchases to vendors exceeding \$1,000. Additionally, we believe for purchases ranging from \$1,000.01 to \$5,000.00 with vendors, three verbal bids should have been obtained; for purchases ranging from \$5,000.01 to \$10,000 with vendors, three written bids should have been obtained; and for purchases exceeding \$10,000 to vendors, the DHSEM should have processed purchases through the Purchasing Division. We recommend the DHSEM follow State purchasing policies and procedures.

**Agency's Response**

***We concur with the findings of the audit and have undertaken systemic changes to address them, to include requiring all DHSEM contracts to be reviewed and approved by the Director of DHSEM and the Department of Administration's Purchasing Division.***

**Expenditures for FY 2004 Totaling**

**\$7,717,173.81 Charged to Object Code 051 - Miscellaneous**

A review of the agency's cash disbursements during FY 2004 showed the DHSEM charged \$7,717,173.81 to **Miscellaneous (object code 051)**. The majority of these expenditures were made to EAI Corporation, for emergency response and safety equipment, and Safeware Inc., for fire and safety services. Per the Expenditure Schedule Instructions, object code 051 is to be used for items "which cannot be classified under any other object code." From a conversation with the State Auditor's Office, agencies should use an object code which closely relates to the definition of the item(s) being charged. By not properly classifying expenditures, the DHSEM misrepresents expenditures for the line item by causing it and other line item(s) to be over/understated. If there is any question as to what object code an item should be charged, we suggest the appropriate agency personnel contact Heather Sanders of the Auditor's Office at 558-2261, ext. 2155, for assistance in determining the appropriate object code(s) to use.

**Agency's Response**

***At that time, DHSEM personnel contacted the director of the Budget Office regarding the possibility of needing an additional object code to identify Homeland Security equipment purchases. It was determined at that time to use object code 051 as it was too late to create a new one. At that time, few individuals were aware of the magnitude of equipment purchases under Homeland Security and the object code issue was never revisited. As previously stated, DHSEM does not intend to order nor receive additional Homeland Security equipment. If it does, an appropriate object code will be obtained.***

**Unauthorized Expenditures Totaling \$1,141,352.47**

We reviewed a letter to the DHSEM from the U.S. Department of Homeland Security (DHS) dated January 4, 2006 requesting reimbursement for 221 unallowable expenses paid with grant monies during FY 2002, 2003 and 2004 in the amount of \$1,141,352.47. The enclosure to the letter contained a description of the transactions and the grant year in which the item was purchased or claimed. Unallowable expenditures cited in the enclosure included: Radiological response kits and CTM 2000 telemetry kits totaling \$217,600.02; UC APACC w/Remote & ACDC totaling \$92,056.38; Hackney Model TC1482 Tractor totaling \$87,296.00; GMC topkick 4500 totaling \$78,389.00; GMC Sierra 2500 totaling \$54,114.00; 2003 Dodge Durango Class 7 4-wheel drive truck totaling \$29,391.00; Police Records Management Software totaling \$35,977.00; In-Car Video totaling \$34,665.00; Computer related items - Computer & Accessories, GPS, Handheld Computer, Printer, Projector, Software (General office use) and Web design totaling \$89,163.50; Camcorders and

Camera (Digital) & Accessories totaling \$27,789.97; Furniture totaling \$141,940.18; Labor, contractors, overtime pay; payroll totaling \$76,818.93 and Office Supplies totaling \$42,935.21.

We were unable to determine the reason for all the unallowable expenditures due to the vagueness of the descriptions or due to the fact some transactions occurred before our period of inquiry. However, by reviewing the grant guidelines and the descriptions provided we were able to conclude a majority of expenditures were not allowed under the Homeland Security Grant Program for the following reasons: (1) transactions were not in accordance with the Authorized Equipment List provided in the grant guidelines; (2) transactions were not listed as authorized training, exercise, or administrative expenses; (3) transactions were listed as an unauthorized program expenditure; (4) expenses may have been procured prior to the award start date of the grant or were otherwise budgeted for with state or local funds; or (5) expenses may not have been within the scope of the State's Homeland Security Program (SHSP) or were determined by the DHS not to be related to the SHSP. Additionally, the 2004 grant guidelines define unauthorized program expenditures as "...1) expenditures for items such as general-use software (word processing, spreadsheet, graphics, etc.); general-use computers (other than for allowable M&A [management and administrative] activities, or otherwise associated preparedness or response functions) and related equipment; general-use vehicles, licensing fees, weapons systems and ammunition; 2) activities unrelated to the completion and implementation of the SHSP; 3) other items not in accordance with the Authorized Equipment List or previously listed as allowable costs; and, 4) construction or renovation of facilities."

The DHSEM did not efficiently utilize the grant monies by purchasing unallowable expenses. The purchase may not have been necessary and by the DHSEM having to reimburse the monies, the funding may not have been available for other items which were needed. Further, the required reimbursements may have caused the DHSEM to exceed budgeted costs. We recommend the DHSEM follow the DHS grant guidelines as set out by the grant program. We further recommend the DHSEM constantly monitor disbursements to ensure they are related to the grant and are for an authorized expenditure.

### **Agency's Response**

*The Federal Government has been reimbursed in full. It should be noted that it was the review undertaken by the Office of the Secretary of WVDMAPS that brought to light the unallowable expenses that subsequently triggered this request for an audit by the Legislative Division of Post Audits.*

### **Grant Money Issued Prior to Receiving Invoices to Support Expenses Totaling \$214,047.00**

We noted Metro Emergency Operations Center of Kanawha County (MEOCKC) requested monies on January 3, 2005 from the 2004 Fiscal Homeland Security Grant. A note on the request indicated the amount of \$211,155.00 (I006710576) was verbally approved by the former Technological Hazards Division Director on December 29, 2004. The Comptroller stated the MEOCKC was issued the monies from the grant prior to the DHSEM receiving the invoices to support the expenses allowed

against the grant. She stated the vendor had not spent all of the money, and therefore reimbursed the \$211,155.00 to the DHSEM. After the MEOCKC had submitted invoices to the DHSEM, two separate payments were issued to cover such expenses. The Comptroller stated it is the DHSEM's policy to receive invoices before issuing monies from a grant.

Additionally, we noted Braxton Co. Commission requested grant monies totaling \$3,201.90, which lacked supporting documentation. We noted no receipts or invoices were attached to the WVFIMS cover sheet to support expenditures for which monies were requested. The former Technological Hazards Division Director approved payment of \$2,892.00 (I006679435).

The DHSEM issuing grant monies prior to receiving invoices may result in grant monies being paid to an entity for cost which did not actually occur or for items which are not authorized. We believe monies should not have been issued to the entities prior to receiving invoices to support related expenditures. We recommend the DHSEM receive invoices to support expenditures prior to issuing grant monies.

#### *Agency's Response*

*We concur with the findings of the audit and have undertaken systemic changes to address them. Again, it should be noted that the circumvention of proper practice, policy and procedure occurred during the administration of the previous director.*

#### **Stringing of Invoices Totaling \$23,686.51**

We noted two transactions that may be considered stringing, as follows: (1) The DHSEM issued two payments to PC Nation on November 5, 2003, of \$4,375.52 (I 006119415) and \$8,751.04 (I 006119236), totaling \$13,126.56 for projectors. We believe the projectors could have been purchased on statewide contract. The Comptroller stated these items were less than \$10,000, and therefore, verbal bids would have been obtained; and (2) On one p-card log sheet for May 2004, there were 16 transactions with Staley's Communication which totaled \$10,559.95. Invoice dates included 12 transactions on April 27, 2004, one transaction on April 28, 2004 and three transactions on May 5, 2004. The activities with Staley's Communication on these invoices range from the purchase of parts to installation of antennas to repairs. The Comptroller stated the DHSEM did not have a contract with Staley; however she explained Motorola referred the DHSEM to Staley to provide frequency settings to equipment bought from Motorola. West Virginia Purchasing Division Policies and Procedures Handbook 2.1, defines stringing as, "...Issuing a series of requisitions or purchase orders to circumvent competitive bidding or to defeat the State Purchasing Card transaction delegated purchasing limit...."

The DHSEM stringing invoices may result in the DHSEM circumventing competitive bidding or exceeding the State purchasing card delegated purchasing limits. By not searching out for competitive prices, the DHSEM may be not receiving the best possible price for the goods or services provided. We recommend the DHSEM follow State purchasing policies and procedures.

### Agency's Response

*We agree with the findings of the audit and have taken corrective action. However, it should be noted that with the enactment of HB4031 and the increase of the contract threshold from \$10,000 to \$25,000, this issue is rendered moot.*

### Reimbursement of Wages for Paid Fire

#### Department/Agency Overpayment Totaling \$13,065.93

We noted the DHSEM reimbursed 100% of actual cost incurred for the wages of individuals who worked for a paid fire department or a paid agency; 100% of the fringe benefits, including retirement benefits, for these individuals who worked overtime; and/or 100% of the wages and fringe benefits, including retirement benefits, for those employees who covered the shifts of individuals attending RRT training, as follows: (1) WVU Center for Rural Emergency Medicine requested reimbursement for 100% of a RRT Leader's salary for attending the RRT training. The vendor additionally requested the fringe benefits. The former Technological Hazards Division Director approved payment on March 15, 2005 of \$2,940.68 (I006797260) for the expenses; and (2) The Cities of Clarksburg, South Charleston, Wheeling, Morgantown, Saint Albans, and Nitro requested 100% reimbursement for firefighters' salaries for participation in RRT training and/or for reimbursement for those employees who covered the shifts of those firefighters attending the training, as well as fringe benefits, totaling \$21,944.64. These reimbursements were approved by the former Technological Hazards Division Director. (I006583739, I006483419, I006542867, I006862171, I006798339, I006791785, I006722022, I006553157, I006495779 and I006437476).

FY 2003, 2004, and 2005 Homeland Security Grant Programs state, "...Full or part-time staff may be hired to support exercise-related activities. Payments of salaries and fringe benefits must be in accordance with the policies of the state or unit(s) of local government and have the approval of the state or the awarding agency, whichever is applicable. The services of contractors/consultants may also be procured by the state in the design, development, and conduct and evaluation of CBRNE [Chemical, Biological, Radiological, Nuclear, and Explosive] exercises. The applicant's formal written procurement policy or the Federal Acquisition Regulations (FAR) must be followed..." In regards to overtime, grant guidelines further states, "Payment of overtime expenses will be for work performed by award (SAA) [State Administrative Agency] or sub-award employees in excess of the established work week (usually 40 hours)..." The grant guidelines additionally state, "Fringe benefits on overtime hours are limited to FICA, Workman's Compensation and Unemployment Compensation..."

The DHSEM's Policy Directive WVRRT-1 "REIMBURSEMENT" Policy, states, "...The formula to be used for reimbursement is actual cost incurred by the agencies or cost incurred wages for individuals if they do not work for a paid fire department or paid agency..." (emphasis added). It further states, "The reimbursement formula for any training missions will be 50% of the actual cost incurred for wages and 100% reimbursement for travel related expenses for authorized missions. Documentation will be required for the actual incurred cost for the individual to attend training. Approved WVOES [Office of Emergency Services] travel forms, with documentation, will be

required for all travel reimbursement. All non-training missions where a team member is deployed to an actual incident will be reimbursed at 100%.”

By reimbursing more than allowed, the DHSEM put itself at a financial disadvantage. The funding could have been used for other resources. We believe all entities with representatives attending training should have been reimbursed at 50% of their wages, 50% of their allowable fringe benefits, but should not have been reimbursed for wages and fringe benefits of employees covering the shifts of individuals attending the training. We believe all entities attending deployment should have been reimbursed 100% of their wages, 100% of their allowable fringe benefits, but should not have been reimbursed for wages and fringe benefits of employees covering the shifts of individuals deployed. ODP [Office of Domestic Preparedness] Information Bulletin No. 141 dated November 19, 2004 refers to backfill policies for part-time employees and volunteers only; therefore, we believe the DHSEM should not be reimbursing the wages and fringe benefits of full-time paid employees covering the shifts of individuals attending training or deployment. We further believe retirement benefits should not have been reimbursed to these entities reimbursed for overtime. Therefore, we determined the DHSEM should have reimbursed entities \$11,819.39, and thus overpaid entities \$13,065.93 for RRT related expenses. We recommend the DHSEM follow grant guidelines and their own policy. We further recommend entities provide the DHSEM with attendance records, for periods being reimbursed, to ensure the employees are not receiving dual compensation, and to verify overtime pay compensation is due the employee.

#### **Agency's Response**

***We concur with the findings of the audit and have undertaken systemic changes including the revision of procedures to insure compliance with all grant guidelines. This includes requiring three signatures prior to any grant reimbursement and payment.***

#### **Requests for Funds from Various Entities Totaling \$12,326.00**

We were unable to determine the following payments issued for various invoices and requests for reimbursement from entities were linked to a grant through the DHSEM: (1) The former Technological Hazards Division Director, a West Virginia University employee, a temporary warehouse employee and a Federal Department Homeland Security employee flighted a helicopter from Charleston to Big Chimney and return, in preparation of Bridge Day. The former Technological Hazards Division Director approved payment on October 18, 2004. The DHSEM payment totaled \$490.00 (E000554117); (2) Harpers Ferry Police Dept. asked for reimbursement for two nights' lodging paid for in advance for the NIMS training seminar in Charleston September 21 - 23, 2004. The former Technological Hazards Division Director approved payment October 27, 2004. The DHSEM payment totaled \$336.00 (I006638243); (3) The Kanawha Valley Regional Transit Authority was paid \$900.00 (I00658337) for trolley services to transport people attending NIMS [National Incident Management System] Course September 21-23, 2004 for 4.5 hours per day. The former Technological Hazards Division Director approved payment on October 4, 2004; (4) The former Technological Hazards Regional Response Coordinator verbally approved the request of the Beaver Volunteer Fire Department for reimbursement of a hitch and accessories to be purchased and installed

on a tow trailer. The former Technological Hazards Division Director approved the payment on April 11, 2005. The DHSEM payment totaled \$600.00 (I006854588); and (5) The former Flood Mitigation Officer decided to contract the work of preparing a mitigation plan to Michael Baker Jr. Inc. due to "local capacity issues". An approved mitigation plan was to be in place on or before November 1, 2004 in order to qualify for assistance following a declaration of major disaster. The payment to the vendor totaled \$10,000.00 (I006663699).

If determined the payments were not linked to a grant, the DHSEM put itself at a financial disadvantage. The funding could have been used for other resources. We recommend the DHSEM continuously monitor disbursements to ensure they are related to a grant. We further recommend the DHSEM continuously monitor contracts to ensure expenditures are allowed under grant regulations and are properly approved.

**Agency's Response**

***We have reviewed the findings of the audit and cannot determine the actions of the previous administration.***

**Offers by Agency Personnel to Reimburse Entity Expenses Totaling \$6,674.17**

We noted several instances where the DHSEM personnel offered to reimburse entity expenses, as follows: (1) A letter from Lewis-Upshur Local Emergency Planning Committee (LEPC) noted the former Technological Hazards Division Director offered to contribute to the cost of an exercise it conducted on June 18, 2004. The LEPC requested reimbursement and the DHSEM paid \$975.17 (I006718011) for related expenses. (2) Another letter from Lewis-Upshur LEPC noted the Counter-Terrorism Planner, by way of verbal conversation, offered to help defray cost of the LEPC's weapons of mass destruction drill. The certification for payment was signed by the former Counter-Terrorism Planner. The DHSEM payment totaled \$297.00 (I005540438). (3) A letter dated April 19, 2005 from Kanawha County Commission noted the former Technological Hazards Division Director gave verbal permission to the vendor to purchase 11 sets of concealable body armor, when the agency's purchase request was for eight sets; and (4) A letter dated May 28, 2004, from Roane General Hospital noted the former Technological Hazards Division Director agreed in February 2004 to provide funds for Roane General Hospital to purchase an 800MHz radio. The payment totaled \$850.00 (and was placed on p-card).

If the entity's expenses, which the DHSEM offered to reimburse (and did reimburse), were not covered under grants, the DHSEM put itself at a financial disadvantage. The funding could have been used for other resources. We believe the DHSEM should not have offered to reimburse and should not have reimbursed entity expenses that did not relate to grants awarded to the entity. We recommend the DHSEM continuously monitor disbursements to ensure they are related to a grant.

**Agency's Response**

***We concur with the findings of the audit and have undertaken systemic changes to address them. It should be noted that certain employees in the previous administration approved expenses without verifying whether or not they were allowable.***

### **P-card purchases Totaling \$3,926.35**

We noted items placed on the DHSEM p-card which should have been purchased from a statewide contract. The following are only a few examples (to have calculated the amount in entirety would have been time consuming): (1) The Information Systems Coordinator purchased a computer costing \$1,415.76 from TCS Technology Services on April 5, 2005; (2) The former Accounting Technician III purchased ink cartridges costing \$389.88 from Dell Computer Corp. on November 17, 2004; (3) The former Accounting Technician III purchased batteries from Smiths True Value and WalMart costing \$36.52 and \$164.29, on August 17, 2004 and on October 18, 2004, respectively; and (4) The former Accounting Technician III purchased flashlights, holsters, batteries, and replacement bulbs from Galls Inc. costing \$869.58 on October 14, 2004.

Additionally, we noted restricted items were placed on the DHSEM p-card. The following are only a few examples (again, to have calculated the amount in entirety would have been time consuming): (1) The Accounting Technician III in the Accounting Division paid a membership fee to ASFPM [Association of State Floodplain Managers] costing \$95.00 on May 19, 2005; (2) The Flood Warning Technician paid cell phone services to Mobile Communications Technology costing \$940.32 on February 28, 2003; and (3) The Accounting Technician III in the Accounting Division purchased gasoline from Sunoco costing \$15.00 on August 3, 2004.

State Purchasing Card Program Policies and Procedures, Section 6.5 Contracts, states, "...Payments against statewide contracts, not exceeding the cardholder's transaction limit, may be placed on the card. The purchasing card may be used to make payments against agency contracts on a case-by-case basis. Payments against statewide and agency contracts must adhere to all Purchasing Card Policies and Procedures and purchasing guidelines...." Furthermore, State Purchasing Card Program Policies and Procedures, Section 6.6 Restricted Items, states, "...Memberships...Telephone/Cell Phone Services...Travel Related Gasoline..."

By not using statewide contracts, when applicable, the DHSEM may not be receiving the best possible price for the goods or services provided. Also, by placing restricted items on the p-card, the DHSEM has not complied with p-card regulations. We believe the DHSEM should purchase needed items from statewide contracts, if applicable, and should not place restricted items on the p-card. We recommend the DHSEM follow purchasing card procedures.

### **Agency's Response**

***We concur with the findings of the audit and have undertaken systemic changes to address them. It should be noted that certain items were approved pursuant to a p-card audit, including the restriction of membership fees. Some of the charges were addressed and found to be emergency purchases or otherwise allowable.***

### **P-card Purchases of Food Totaling \$351.59**

We noted from a review of her Purchasing Card Logs, the former Accounting Technician III purchased food items on the following occasions for a "working meeting": (1) On October 19, 2004, a purchase totaling \$63.70, with the item description of "Large Pizza's for working luncheon meeting"; (2) On January 27, 2005, a purchase totaling \$68.64, with an item description of "sandwiches, soup and drinks for meeting in Cabinet Secretary's office"; (3) On December 16, 2004, a purchase totaling \$14.95, with the item description of "assorted tray of pastries for morning working meeting"; (4) On August 8, 2003, a purchase totaling \$219.25, with the item description of "lunch meeting". In addition, we noted three instances where lunches were purchased for "team leader working meeting" and one instance of lunch purchased for "food for working lunch meeting with Corrections Department"; however, we did not see any documentation to support these meetings actually occurred. According to the Comptroller, the former Accounting Technician III was instructed to attach a list of all the people that attended the lunch meetings; however, in these cases the documentation was not provided. The Comptroller, informed us the former Accounting Technician III's p-card purchases got out of hand with her excessive purchases of food and drinks for functions other than for seminars, (e.g., morning meetings and working lunches attended by the DHSEM employees). As a result, the former Technological Hazards Division Director was required to approve all purchases made with her p-card. The Comptroller also told us a full audit of p-card was performed in May 2005 by the Auditor's Office. During the audit, the Auditor's Office noted a lack of support, including hospitality forms, for some of the purchases made from the Big Chimney office. When asked, the former Accounting Technician III told the Comptroller this documentation was not available. The Expenditure Schedule Instructions of the State Budget Office for FY 2003-2005, states, "(Object code) **042 - Hospitality**: Food, nonalcoholic beverages and related expenses for the reception of guests by a spending agency for a specific event or function relating to conducting state business ..."

If determined the payments were not linked to a grant or to expenses related to reception of guests for a specific event or function relating to conducting State business, the DHSEM put itself at a financial disadvantage. The funding could have been used for other resources. We believe all cardholders' log sheets should be approved by the proper supervisory authority and the agency coordinator. Purchasing Card Policies and Procedures, 7.2 Log Sheets states, "...Log sheets may be computerized or manual and must be signed by both the cardholder and the agency coordinator acknowledging all entries have been reconciled and are legitimate..." Additionally, we believe food purchases not for the reception of guests by a spending agency for a specific event or function relating to conducting state business should be prohibited on p-card. Furthermore, we believe purchases meeting the hospitality requirements as defined in Expenditure Schedule Instructions should be accompanied by a hospitality form and additional documentation to support who was present at the event or function. We recommend the DHSEM follow State purchasing card procedures.

### **Agency's Response**

***We concur with the findings of the audit and have undertaken systemic changes to address them, including directing that State purchasing card procedures be followed.***

**Employee Reimbursement for Items Not on Receiving Report Totaling \$27.89**

The former Technological Hazards Regional Response Coordinator was reimbursed \$27.89 (I006679528) for a microwave not noted as received on the attached receiving report. If the DHSEM is not properly reconciling reimbursement forms to receipts and items, they put themselves in jeopardy of paying for items they have not actually received. Additionally, if a uniform inventory system was in place, inventory may be misstated by the recording of the item as being received when it actually was not. Further, the DHSEM allowed the employee to receive benefits beyond what was due to him and the employee may have taken advantage of the situation. We believe the former Technological Hazards Regional Response Coordinator should not have been reimbursed the \$27.89 for items not received by the DHSEM. We recommend the DHSEM match receipts to the proper receiving report prior to issuing reimbursement.

**Agency's Response**

*We concur with the findings of the audit and have undertaken systemic changes to address them, including requiring receiving reports for all items purchased.*

**Payment Issued from Appropriated Account Due to the Lack of Funds in Account 8727 (Federal Consolidated Fund - Emergency Services) Totaling \$2,600.00**

We noted Water & Earth Technologies Inc. was paid \$2,600.00 (I005675999) from the appropriated account 0443 - Integrated Flood Warning (IFLOW) due to 8727 IFLOW not having sufficient funds. A note attached to a May 14, 2002 invoice stated the invoice could not be paid from account 0443-877 due to it being an appropriated account, and account 8727 (IFLOW) account did not have money to pay it. However, the invoice was paid from account 0443-877 on December 19, 2002.

Chapter 12, Article 3, Section 15 of the West Virginia State Code, as amended, states, "...It shall be unlawful for any such officer, board, body or person to expend...any contract or undertaking whatsoever to be performed in whole or in part by the state, any sum exceeding that which shall have been appropriated or authorized therefor by the Legislature, **nor shall they incur any debt or obligation on any such account not expressly authorized by the Legislature**, nor use in part payment only upon the purchase or construction of any land or structure any sum which shall have been appropriated or authorized by the Legislature in full payment for such object..." (**Emphasis added**).

By issuing a non-authorized payment from an appropriated account, the DHSEM has performed an unlawful act. Additionally, the monies in account #0443-877 could have been used for other authorized expenditures. Further, the payment may cause the DHSEM to exceed budgeted cost in this account. We believe the DHSEM should not have issued payment from account #0443-877 due to it being an appropriated account. We recommend the agency continuously monitor account balances, taking into account foreseen expenditures, and pay expenditures from the proper account(s).

**Agency's Response**

***We concur with the findings of the audit. The invoice should have been paid from Account 8727-IFLOWS funds.***

**Agency Payment Exceeded Contract Amount by \$1,250.00**

We noted an agreement with a RRT member, for Support Services for the RRT. The terms of the agreement were \$15.00 per hour/plus travel, not to exceed \$10,000 for the period of August 19, 2004 through August 18, 2005. From a review of the payments made to the RRT member, we determined the payments made to him exceeded the contracted amount by \$1,250.00. Payments to the RRT member were as follows: December 20, 2004 - \$765.00 (I006679640); December 16, 2004 - \$1,260.00 (I006675535); December 1, 2004 - \$1,260.00 (I006652262); November 19, 2004 - \$1,860.00 (I006642553); November 8, 2004 - \$2,070.00 (I006624238); October 21, 2004 - \$1,800.00 (I006603285); October 7, 2004 - \$915.00 (I006583164); September 17, 2004 - \$840.00 (I006558360); September 3, 2004 - \$180.00 (I006542739); and September 3, 2004 - \$300.00 (I006542730).

By exceeding contract amounts, the DHSEM put itself at a financial disadvantage. The funding could have been used for other resources. We believe payments to the RRT member should not have exceeded \$10,000 for the period of August 19, 2004 through August 18, 2005, based upon the terms of the aforementioned agreement. We recommend the DHSEM continuously monitor agreements and contracts to ensure compliance with agreed upon terms.

**Agency's Response**

***We have reviewed the findings of the audit and have determined I006652262 was actually deleted from FIMS and never paid. Therefore the total paid under this WV-48 agreement was actually \$9995.00 and therefore did not exceed the contract amount.***

**Reimbursement of Personal Charges on Agency Issued Cell Phone Totalling \$858.00**

We noted the Information Systems Coordinator reimbursed the DHSEM for personal charges on an agency issued cell phone totaling \$358.00 (D000940281). A breakdown of personal charges incurred shows he initially owed \$858.00 to the agency for personal charges. The above payment of \$358.00 paid the amount owed in full.

A memorandum from Jim Teets, Office of the Governor, dated September 18, 1997, states, "...The Ethics Commission ruled on September 4 that state employees no longer could place personal long-distance phone calls from a state agency and then reimburse the state. In its ruling, the Ethics Commission observed that state employees would gain personally in making telephone calls from state telephones because state government enjoys less expensive rates than most other telephone users...."

By personal charges being made to the DHSEM cell phone, the employee might have placed himself at an undue personal advantage if the calls were long distance calls, because the State government has less expensive rates than most other telephone users. We believe State issued cell phones should not be used for personal use. We recommend the DHSEM continuously monitor State issued cell phone usage to ensure they are not used for personal use.

**Agency's Response**

***We have reviewed the findings of the audit. It should be noted the employee's personal cell phone was identical to his state cell phone and there was no intent to use the state cell phone for personal use. The employee brought the error to the attention of his supervisor and expeditiously reimbursed the State for this error.***

**Unpaid Invoices Totalling \$659.02**

We noted unpaid invoices, as follows: (1) A volunteer requested reimbursement for RRT training deployment pay and submitted a Travel Expense Account Settlement form for the training. Requests totaled \$464.02; (2) A statement attached to an invoice from Domino's Pizza stated prior approval and arrangements were made, per phone, with the former Technological Hazards Division Director to reimburse a RRT member \$195.00 for the purchase of lunches for an exercise at Buckhannon-Upshur Airport. The former Technological Hazards Division Director approved this payment on September 10, 2004. The Comptroller researched these matters by using WVFIMS and she stated she found no payment to the volunteer or the RRT member.

By not acknowledging invoices which are not paid, the DHSEM is understating their liabilities and overstating assets. We recommend the DHSEM follow-up on the above invoices deemed as unpaid and issue payments to the individuals, if applicable.

**Agency's Response**

***We have reviewed the findings of the audit. It should be noted the invoices initially were not paid as there were questions regarding whether or not the expenses were allowable. Subsequently, additional information was requested and the requested documentation and/or explanation were not provided and the invoices were not resubmitted for payment.***

**Lack of Supervisory Approval on Travel Expense Account Settlement Forms**

We noted a lack of supervisory approval on the majority of the DHSEM Travel Expense Account Settlement forms from both the DHSEM and non-DHSEM employees. State Travel Rule 2.5 states, "The responsibility to audit a traveler's expense account settlement lies with the state agency. Approval of a traveler's expense account settlement by the state agency means that the expense account settlement meets all criteria established by this rule for reimbursement. The state agency shall audit and submit an accurate expense account settlement for reimbursement to the Auditor's Office...."

Lack of supervisory approval may result in employees being reimbursed for travel not actually taken, travel not related to State business, or unapproved travel. Additionally, this may result in the travel forms and supporting documentation not being reviewed for accuracy; thus, the travel forms may not be calculated properly and the employees may be over compensated, or receipts may not be present or unauthorized expenses may be reimbursed. We believe all travel expense forms should be reviewed and signed for approval by the appropriate supervisor. We recommend the DHSEM require this supervisor to foot and crossfoot the appropriate fields of the form; reconcile any differences; ensure prior approval of such travel; review attendance sheets for training or meeting related travel expenses to ensure attendance of the employee, if applicable; reconcile receipts to the form; and sign the form upon examination to indicate approval.

**Agency's Response**

***We concur with the findings of the audit. It should be noted all travel forms are now reviewed for accuracy and approved by the proper supervisory authority.***

**Travel Reimbursement Lacking Supporting Documentation Totaling \$423.50**

The former Administrative Support Services Division Director was reimbursed for air travel to California on November 10, 2002 in the amount of \$423.50 (I005550236). However, a travel expense form was not prepared for the request for reimbursement and attached to the WVFIMS cover sheet for support. Therefore, we could not determine the reason for travel.

State Travel rule 3.1.2 states, "...Employees are responsible for submitting a travel expense account settlement form, with all required attachments, to the travelers spending unit..." Lack of supporting documentation may result in employees being reimbursed for travel not related to State business, or unapproved travel. We recommend the DHSEM require a travel expense form to be completed to support reimbursement of travel expenses and follow State travel rules. We believe the former Administrative Support Services Division Director should not have been reimbursed for air travel without a travel expense form being submitted to the DHSEM to support the reason for travel.

**Agency's Response**

***We concur with the findings of the audit. It should be noted that all employees have been directed to comply with all State Travel rules.***

**Lodging Not Secured in Vicinity of Travel Totaling \$391.28**

We noted a contracted employee and a REP Local Coordinator secured lodging at a hotel not in the vicinity of the purpose for their travel and were reimbursed \$84.68 (I005510456) and \$306.60, (I005512734), respectively, totaling \$391.28, for mileage to and from the vicinity. Reimbursement to travelers for lodging not in the vicinity may be a disadvantage to the State, if lodging was available in the vicinity, because of the reimbursement of mileage which otherwise would not be necessary. Further, the DHSEM paying a contracted employee travel unrelated to a grant may also result in a financial disadvantage to the State. The funding could have been used for other resources. We

believe the individuals should have documented the reason for lodging not being secured in the vicinity of their travel(s). We also believe travel expenses should have been included in the contracted fees. State Travel rule 3.1.3 states, "...All consultant and contractor travel should be included as part of the consultant/contractor fee agreement..." We recommend the DHSEM follow-up on travel expenses incurred that are not within the vicinity of travel prior to issuing payment to the vendor or employee and follow State travel rules.

**Agency's Response**

***We concur with the findings of the audit. It should be noted that all employees have been directed to comply with all State Travel rules.***

**Direct Billed Lodging Reimbursement Totaling \$255.06**

We noted a Grant County Health employee's Travel Expense Account Settlement form indicated reimbursement for lodging in the amount of \$255.06, and the Grant County Health employee signed the travel form on which she certified "...these costs incurred were in connection with my assigned duties, are true, accurate and actual, and do not reflect any costs or expenses reimbursed or to be reimbursed from any other source..." (Emphasis added). The Grant County Health employee was reimbursed for lodging in the amount of \$255.06 (I005518661). However, the hotel receipt reflected the lodging as being direct billed to Grant County Health. The Comptroller stated when a county is direct billed, the individual is reimbursed for the lodging from the DHSEM. The county and the individual settle up between themselves. We further noted the form lacked the signature of the approval agency head/designee certifying the form was examined and approved. Additionally, the "Agreement to Pay" relating to payment of travel expenses was not signed by the DHSEM.

By the DHSEM issuing reimbursement to the individual for expenses she did not incur, the individual may have been dually compensated for travel expenses. Additionally, by the individual being reimbursed rather than the county, the county may have not received the compensation due to them. We believe the DHSEM should not have reimbursed the Grant County Health employee for the lodging claimed on the travel expense form. We recommend proper review of all travel related documents indicated by the appropriate supervisor affixing his/her signature in the appropriate space. Additionally, we recommend when there is direct billing, the DHSEM reimburse the entity rather than the individual for the direct billed expense.

**Agency's Response**

***We have reviewed the findings of the audit. It should be noted that all travel forms are now reviewed for accuracy and approved by the proper supervisory authority.***

**Lack of Supporting Documentation for Reimbursement  
Totaling \$271.58 Which Included Reimbursement of Personal  
Cell Phone Charges Relating to Deployment Totaling \$147.55**

A RRT member's request for reimbursement totaling \$271.58 (I00658405) for items he purchased related to training/exercise on April 19, 2004 and August 22, 2004, as well as, reimbursement for

personal cell phone overcharges of \$147.55 which occurred as a result of roaming charges in a deployed area, lacked a Travel Expense Account Settlement or a Reimbursement Request form as supporting documentation.

Lack of supporting documentation may result in employees being reimbursed for travel not related to State business, unapproved travel, items not received by the DHSEM, or items not purchased by the individual. Further, by the DHSEM reimbursing personal cell phone charges, the employee is placed at an undue personal advantage. We believe the expenses should not have been reimbursed without the proper form completed and submitted to the DHSEM. Additionally, we believe personal cell phone charges should not be reimbursed. We recommend the DHSEM issue a State cell phone to each Regional RRT Leader on which deployment related phone calls should be made. Further, we recommend the DHSEM require a Travel Expense Account Settlement form or a Reimbursement Request form be completed prior to issuing related reimbursements.

#### Agency's Response

*We have reviewed the findings of the audit. It should be noted that procedures regarding cell phone use were addressed in December, 2005.*

#### Other Items Noted

The following are other items paid from Account 8727 - Federal Consolidated Fund for Emergency Services or other accounts under the Division of Homeland Security and Emergency Management that came to our attention during our review:

#### Obligations to be incurred as of January 21, 2005

In one of the boxes brought from Big Chimney, we noted a list entitled "Obligations to be incurred as of January 21, 2005," totaling \$2,717,632.00. From a review of this list, the Comptroller stated, with the change of administrations, all items on the list were cancelled except for the internet database licenses for the emergency team. She was able to provide documentation as to the cancellation of the following obligations totaling \$1,774,118.00: (1) \$45,000 for State police bomb suites and \$30,000 of clothing bids were cancelled; (2) \$60,000 for USAR-power tools and \$139,118.00 for USAR-Rescue equipment were withdrawn by vendors; and \$1,500,000.00 for Motorola radios was noted to be put out for bid at a later date. However, the Comptroller could not provide us with evidence to support the remaining \$943,514.00 was cancelled. She stated the DHSEM was currently renegotiating terms and conditions for the renewals of E-Team State licenses, for which \$19,000 of the remaining amount was allocated.

Also, the Comptroller stated, at the time of the change in administrations, an unsuccessful attempt was made with Hackney, to cancel the DHSEM contract for the remaining emergency vehicles; however, the company had already started the manufacturing process for the vehicles ordered.

Due to the Comptroller being unable to provide us with evidence to support cancellation of the remaining contracts, these contracts may not have been canceled and the DHSEM may owe vendors additional compensation for services rendered or goods provided. We recommend the DHSEM acquire documentation from the Purchasing Division to support the cancellation of contracts.

**Agency's Response**

***We have reviewed the findings of the audit and have undertaken systemic changes to address them. No items are authorized to be ordered without proper purchase orders issued and funds available.***

**Receiving Reports Signed for Emergency P-card Purchases Totaling  
\$247,531.93 Paid from Account 6284 - Flood Disaster  
May/June 2004 - Governor's Civil Contingency Fund**

We noted the Accounting Technician III in the Accounting Division signed receiving reports for emergency p-card purchases totaling \$247,531.93 which she did not physically verify as received. Items purchased include: tarps; boots; cleaning supplies; garden rakes; lime; shovels; buckets; straw; paper towels; water; garden hoses and nozzles; brooms; fans; and compound. We also noted these purchases were shipped to locations other than the Capitol complex. The Comptroller informed us it is the DHSEM's procedure, for all accounts where the emergency p-card is used, to sign the receiving reports for emergency items shipped to other locations. She further stated, the DHSEM accounting personnel receive a copy of the shipping documentation, and therefore, feel confident in signing the receiving report even though they did not inspect the item(s).

All above items were purchased on account from Lowes and were paid with the emergency p-card. The BB&T - Revolving Credit Dept. payment was issued from Account 6284 - Flood Disaster May/June 2004 - Governor's Civil Contingency Fund. Further, we noted all of the agency purchase orders, for the items noted above, did not have an authorized signature. We do not believe the emergency p-cards should have been used to make payments to pay current balances on the Lowes account. We recommend the DHSEM issue a warrant to the vendor rather than issuing payments on emergency p-card or use the emergency p-card to pay for items when an emergency purchase is made, rather than placing purchases "on account".

Employees signing receiving reports without physically verifying the items have been received makes the DHSEM vulnerable to theft because items may be signed as received when they actually have not been received. Further, items may have been either missing or the wrong items received, and the correct action may not have been taken. Based upon our review, we are unable to rely on the accountability of any of the DHSEM's receiving reports as an indication the individual signing the receiving report actually inspected the items, since the DHSEM's policy permits the signing of receiving reports for emergency p-card purchases where/when items are not physically inspected. We recommend the DHSEM require an agency purchase order have an authorized signature to approve the purchase on account, and the person receiving the item(s) complete and sign the receiving report to verify quantities and goods ordered were received in satisfactory condition. The person receiving

should forward the receiving report to the DHSEM's accounting division personnel to be attached to the respective invoice.

**Agency's Response**

***We have reviewed the findings of the audit and note that during disasters, it is less costly to have items directly shipped to the disaster locations. It was not possible in some instances for DHSEM staff to physically receive items. DHSEM relies on the integrity of the individual receiving the items who then supplies the packing slips to DHSEM accounting staff verifying that the items were received. In many instances these were National Guard Logistics personnel deployed to an impacted area. DHSEM is in the midst of a policy review to determine the best method to improve this system.***

**Special Handling of Checks**

During our review we noted payments to contractors and grant payments to entities were special handled. The Comptroller told us the DHSEM special handles payments involving disasters, hazard mitigation, or public assistance to allow the checks to be copied and attached to the paperwork sent to FEMA. She explained the program administrator picks up the check(s), logs the check(s), and either mails or hand delivers the checks and paperwork to the respective entities. The Comptroller stated the majority of the time the check(s) are mailed, with the exception of hazard mitigation which may be hand delivered due to the variance of closing costs on the purchase. The entity will complete and sign a form verifying they received the check and will return the form to the program administrator. The documentation relating to hazard mitigation payments is filed in the program office at Big Chimney.

Also, the Comptroller stated contract payments are special handled if one of the following exists: the contract is large in amount, the entity wanted to pick up the monies, paperwork is needed to complete transaction(s), or title is not granted until money is received by entity. Further, we noted some payments were addressed to a post office box, and since all of these payments were specified as special handling on the WVFIMS cover sheet, we believe there is a possibility someone other than the respective vendor could receive the monies.

By the DHSEM special handling checks they are making themselves more vulnerable to theft. Additionally due to some payments being addressed to a post office box and some being hand delivered there may be additional risk for fraud. We believe the check(s) should not be returned to the program administrator overseeing the grant payments to the various entities. We recommend the DHSEM either have an independent person deliver the check(s) or have the payment sent directly to the vendor from the State Treasurer's Office.

**Agency's Response**

***We have reviewed the findings of the audit and have undertaken systemic changes to address them. It should be noted the practice of "special handling" had been in place for some time. In some***

*instances it was to provide a check for presentation by the Governor and in other instances to facilitate an explanation to sub-grantees as to why they may be receiving only partial reimbursement. Effective 5/15/06 the practice of "special handling" homeland security grant related checks was discontinued. As a result of additional recommendations provided by the Post-Audit Division auditors, checks are now being sent directly to vendors and/or sub-grantees from the Treasurers Office. The special handling for gubernatorial presentations is also being discontinued except in extraordinary circumstances.*