

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

**WEST VIRGINIA
LIBRARY COMMISSION**

**For The Period
July 1, 2003 – December 31, 2006**



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA LIBRARY COMMISSION

FOR THE PERIOD

JULY 1, 2003 - DECEMBER 31, 2006

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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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 Library Commission Fund, the Video Production Services Fund, the Alcohol And Drug Abuse Grant Fund, the Lottery Education-Library Commission Fund, the Gifts, Grants & Donations Fund, the Library Fire Insurance Settlement Fund, and the Consolidated Federal Funds General Administrative Fund of the West Virginia Library Commission.

Our examination covers the period July 1, 2003 - December 31, 2006. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

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

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

SLS/cdo

WEST VIRGINIA LIBRARY COMMISSION

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WEST VIRGINIA LIBRARY COMMISSION

EXIT CONFERENCE

We held an exit conference on July 15, 2008 with the Secretary and the Director of Library Administrative Services of the West Virginia Library Commission. All findings and recommendations were reviewed and discussed. The above officials' 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 LIBRARY COMMISSION

INTRODUCTION

The West Virginia Library Commission (WVLC) was created in 1929 (Chapter 10, West Virginia Code) to develop and advise libraries in the state. The very core of the mission of the West Virginia Library Commission is ensuring all residents of the state, regardless of geographic location, educational background, or economic status, access to high quality library services and information resources to meet their needs.

WVLC administers federal and state grants for public library support and services. The Commission is a leader in the implementation and support of computer technology in libraries. It was the first state library to develop a statewide integrated library network and has continued to sustain the growth, maintenance, and capabilities of that network to the present. WVLC serves as the information resource for the state government and the Legislature and is a regional library of the National Library Service that provides library services to the blind and physically handicapped.

The West Virginia Library Commission is organized into four major departments; Administrative Services, Library Development Services, Network Services, and Special Services.

A board of nine Commissioners appointed by the Governor hires the Secretary of the West Virginia Library Commission and meets regularly to view statewide library issues and the activities of the Library Commission.*

**Information obtained from the West Virginia Library Commission Website
<http://www.wv.gov/Offsite.aspx?u=http://librarycommission.lib.wv.us/>*

WEST VIRGINIA LIBRARY COMMISSION
COMMISSIONERS, ADMINISTRATIVE OFFICERS AND STAFF
AS OF DECEMBER 31, 2006

COMMISSIONERS

Carl Urps..... July 31, 2002 – October 15, 2004
Dennis C. Altizer October 15, 2004 – Present
Emilie A. Holroyd..... November 26, 2001 – Present
Duke Horstemeyer July 1, 1995 – Present
Dr. Charles A. Julian..... July 28, 2000 – Present
Jack Kessler January, 14 2000 – June 30, 2006
Vacant July 1, 2006 – Present
Kathryn McAteer (CHAIR) October 2, 2002 – Present
Merle Moore October 2, 2002 – Present
Alison Deem June 30, 1999 – May 17, 2004
Mary Bland Strickland..... May 17, 2004 – Present
Elizabeth Mow November 3, 1999 – August 12, 2003
Katy White August 12, 2003 – Present

ADMINISTRATIVE OFFICERS AND STAFF

J. D. Waggoner State Librarian/Secretary
Denise Seabolt Director of Library Administrative Services

WEST VIRGINIA LIBRARY COMMISSION

EXECUTIVE SUMMARY

Insufficient Internal Controls over Video Production Services

1. The WVLC is providing print and video services to private companies and State agencies; however, we could find no criteria which authorizes the WVLC to provide these types of services to entities other than public libraries. Additionally, the policies of the agency regarding revenues generated from the Video Production Services program are not consistently applied nor are the internal controls adequate to fully ensure the integrity of the program. Also, the agency offers services and goods through the Video Production Services program on credit, operates an accounts receivable and invoices customers for amounts due. During our audit period, deposits to Fund 3550 for Video Production Services totaled \$5,186.42, \$20,346.25, \$14,544.25 and \$18,615.32 for the first half of fiscal year 2007 and fiscal years 2006, 2005 and 2004, respectively.

Auditor's Recommendation

We recommend that WVLC comply with Chapter 10, Article 1, Section 14 of the West Virginia Code, as amended, and Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, by providing video services to only those entities authorized by law and implementing proper internal controls over those video services which are provided. If the WVLC feels these services necessary in carrying out their mission statement we recommend they seek legislation permitting them to provide these services to additional entities.

Agency's Response

The Library Commission will address the internal controls on the financial issues cited. (See pages 13-17)

Excessive Utility Payments

2. The WVLC overpaid electric utility expenses by approximately \$18,800.00 and natural gas utility expenses by approximately \$6,600.00 based on information we obtained during our audit. The WVLC entered into an agreement with the Department of Administration to remit one-third the cost of electric utility service for the Cultural Center in lieu of paying rent. Despite this agreement, the WVLC currently pay 36% of utilities (consisting of natural gas and electric) for the Cultural Center. WVLC administration has been unable to provide any documentation to support the change from the agreed upon rate of one-third, or 33.33%, to the current 36% and the current Director of the Administration Section informed us she is unsure when and why the WVLC deviated from the original agreed upon rate.

Auditor's Recommendation

We recommend the WVLC comply with the agreement made with the Department of Finance and Administration in the June 30, 1989 memorandum and remit payment only for the amounts the WVLC and the Department previously agreed upon.

Agency's Response

The Library Commission will comply with the recommendation to follow the agreement with the Department of Finance and Administration in the June 30, 1989 memorandum. (See pages 17-19)

Unreported Assets in the WV Fixed Asset System

3. The WVLC has not updated the Commission's Library Holdings in the WVFIMS Fixed Assets System (Fixed Assets) since fiscal year 2003. Additionally, the WVLC's Library Holdings are not recorded separately for each fiscal year, but in total for all fiscal years through 2003 and the WVLC has not removed from Fixed Assets any Library Holdings that have been retired or otherwise removed from the collection (such as items that are lost/not returned by library patrons) since 2003. The total value reported as Library Holdings at the conclusion of each fiscal year subsequent to 2003 has been \$3,281,750.78. While we are unable to determine the total amount spent for tangible Library Holdings additions during our audit period, we feel it reasonable to assert these purchases represent a material amount of the agency's disbursements each fiscal year.

Auditor's Recommendation

We recommend the WVLC comply with Section 3.6.5 of the Surplus Property Unit's Inventory Management Surplus Property Disposition Manual by developing a procedure to ensure that all reportable assets owned by the WVLC are included in the WVFIMS Fixed Asset System and all retired or otherwise disposed of property is properly removed from the System.

Agency's Response

The issue cited was created by staff turnover and a failure to inform the new employee of these responsibilities. Procedural changes have been developed by the agency to comply with the Surplus Property Unit's Inventory Management Surplus Property Disposition Manual. (See pages 19-21)

Inadequate Internal Controls – Purchase Card Transactions

4. During our audit of the WVLC, we identified a few areas of concern with regards to agency internal controls over the \$1,053,560.05 charged to agency purchase cards. We

discovered the WVLC did not report its purchase card transactions to its governing Commissioners as required by, and did not have internally written procedures to ensure purchase card transactions are in compliance with, the West Virginia State Auditor's *Purchase Card Policies and Procedures*.

Auditor's Recommendation

We recommend the WVLC comply with Section 2.4.1, "Segregation of Duties", of the State Auditor's *Purchasing Card Policies and Procedures*; and Subsection 7.0 of the State Auditor's *Purchasing Card Policies and Procedures* and implement internal controls over the use of State purchase cards and submit to its Commissioners a report of purchase card transactions.

Agency's Response

The agency will comply with the recommendation of the report. (See pages 21-23)

Unauthorized Fees Assessed for Non-Returned Library Items

5. The WVLC is assessing fees for non-returned books even though specific authority has not been granted to the WVLC to assess these fees. Additionally, although the WVLC does not have authority to collect these fees, we noted that for the fees which are being collected, internal controls do not exist which would prevent the misappropriation of the monies collected by the WVLC employees. Furthermore, documentation does not exist which would allow us to independently verify with any certainty, the amounts collected during our audit period. According to the WVLC, the amounts deposited as non-returned library item fees over our audit period totaled \$814.81.

Auditor's Recommendation

We recommend the WVLC assess, collect and deposit only those moneys it is authorized to assess, collect and deposit. We further recommend the WVLC seek legislation which grants the WVLC the authority to assess these fees if the WVLC determines that these fees are necessary.

Agency's Response

The Library Commission will institute internal controls and procedures for oversight of these moneys. (See pages 23-26)

Fees Assessed for Copier Use

6. The WVLC collects copying fees for which it does not have the authority. The fees collected are maintained in the Reference Library in a small, open cash box. We were

told this money is used to make change on occasion and is deposited only periodically when the cash has had time to accumulate to an amount reasonable for deposit. Due to a lack of record keeping regarding the collection of these fees, we are unable to determine the total amounts collected by the WVLC as copying fees during our audit period.

Auditor's Recommendation

We recommend the WVLC collect and deposit into General Revenue Fund 0296 only those moneys it is authorized to collect and deposit. We further recommend the WVLC seek legislation which grants the WVLC the authority to assess these fees if the WVLC determines that these fees are necessary.

Agency's Response

Again, a standard library practice is being questioned by the audit. The recovery of costs associated with copies is a universal practice in libraries. Since the library would not be making the copies if they were not requested by the patron, the state should not cover these costs. The burden and cost of creating legislation to "permit" a standard practice in the library on the surface seems excessive. (See pages 26-28)

Incorrect Calculation of Retirement and Resignation Related Payments

7. We determined during our audit the lump sum payout of accrued annual leave for three of the four employees was calculated incorrectly, the pro-rated payout of accrued annual increment for all four employees was calculated incorrectly and the final pay for two of the four employees was calculated incorrectly. Overpayments to employees totaled \$275.38. Underpayments to employees totaled \$1,572.98.

Auditor's Recommendation

We recommend the WVLC comply with Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended; Chapter 5, Article 5, Section 3 of the West Virginia Code, as amended; Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended; The Attorney General's Opinion dated June 27, 1990; and The West Virginia Division of Personnel Policy Annual Increment Policy and pay to resigning and retiring employees the actual amounts due them at the times required.

Agency's Response

The incorrect calculations are another legacy involving a long-term employee's procedure that was not questioned because there was no indication the procedure was incorrect. The mistake was duplicated when the procedure was taught to a replacement employee. As soon as the agency discovered the practice, procedures were changed to bring the agency into compliance. (See pages 29-32)

Improperly Paying Mileage to WVLC Members

8. The WVLC is paying mileage to the members of the WVLC in non-compliance with West Virginia Code. During our test of travel expenditures of the WVLC, we noted three transactions of 35 tested included reimbursements of mileage to members of the Commission. The combined total of these payments was \$608.25. As a result of the unauthorized payment of mileage to the commissioners, the spending unit is without the use of these funds for other purposes.

Auditor's Recommendation

We recommend the WVLC comply with the provisions of Chapter 12, Article 3, Section 7 of the West Virginia Code, as amended, and discontinue the practice of reimbursing commissioners for mileage. Additionally, we recommend the WVLC request a change in statute to allow for more complete reimbursement of “*actual and necessary expenses*” of the commissioners.

Agency's Response

Until there can be some clarification in how expenses can be covered without paying mileage, the agency feels it must follow the Travel Unit procedure that applies to Commissioners. (See pages 33-35)

Inaccurate Sick and Annual Leave Balances

9. The method used by the WVLC to track and record the accrual and use of annual and sick leave for WVLC employees makes possible employees receiving leave in excess what is due them by the state.

Auditor's Recommendation

We recommend the WVLC comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, and only pay employees for sick and annual leave earned.

Agency's Response

When the discrepancies were brought to the agency's attention, the Executive Secretary and Library Administrative Services Director worked with the Division of Personnel to move the agency to a standard 8 hour workday. The 8 hour day has been in place since January 2008. This puts the agency in compliance. (See pages 35-37)

Not Processing Invoices within 10 Days of Receipt

10. During our audit of the WVLC, we noted five instances, totaling \$140,996.03, of 71 general cash disbursements tested and two instances, totaling \$27,446.20, of 24

equipment disbursements tested where the WVLC failed to stamp the invoice the date it was received or did not maintain the postmarked envelope. As a result, we are unable to assure ourselves the invoices were processed for payment within ten days of receipt as required. We discovered an additional two instances, totaling \$184,908.77, where the invoices were date stamped upon receipt but not processed for payment within ten days.

Auditor's Recommendation

We recommend the WVLC comply with Chapter 5A, Article 3, Section 54b of the West Virginia Code, as amended, and process for payment all legitimate, uncontested invoices within ten days of receipt.

Agency's Response

The agency will comply with the recommendation to process payments within 10 days. (See pages 37-39)

Excessive Per Diem Payment

11. The WVLC paid per diem to an employee for travel on days the employee was not required to be out of town. The Director of Administrative Services for the WVLC stated she was not aware of any reason why this employee was permitted to travel to Chicago early. She further stated the employee should not have received per diem for Saturday, April 1, 2006. As a result of the lack of documentation regarding the airline ticket purchased, we are unable to determine if the employee obtained the least expensive airfare available. The employee was overpaid \$64.00 for per diem as a result of the allowed early day of travel.

Auditor's Recommendation

We recommend the WVLC comply with Section 2 of the State Travel Rule by developing a policy to ensure that travel reimbursements are accurate, have been properly authorized by the WVLC, and relate only to travel for official WVLC business. We further recommend WVLC comply with Section 4 of the State Travel Rule by developing a policy to ensure that the statewide contract travel vendor is used for the purchase of airline tickets and that proper supporting documentation is retained for all travel reimbursements.

Agency's Response

The Library Commission will comply with the recommendation but believes the problem cited is one of documentation and not procedure. (See pages 40-42)

WEST VIRGINIA LIBRARY COMMISSION

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the West Virginia Library Commission (WVLC). The examination covers the period July 1, 2003 through December 31, 2006.

GENERAL REVENUE ACCOUNTS

During the audit period, the WVLC operated from the following general revenue accounts:

<u>Account Number</u>	<u>Description</u>
0296-001	Personal Services
0296-004	Annual Increment
0296-010	Employee Benefits
0296-044	EBA Contractual Services
0296-099	Unclassified
0296-181	Services to Blind and Handicapped
0296-913	BRIM Premium

SPECIAL REVENUE ACCOUNTS

The WVLC maintained the following special revenue accounts. These accounts represent funds from specific activities as required by law or administrative regulations. These funds were deposited with the State Treasurer in the following special revenue accounts:

<u>Account Number</u>	<u>Description</u>
3550-099	Unclassified
3552-099	Unclassified
3559-179	Books and Films
3559-180	Services to Libraries
3559-182	Grants to Public Libraries
3559-309	Digital Resources
3559-625	Libraries-Special Projects
3559-884	Infomine Network
3562-099	Unclassified
3563-099	Unclassified

Video Production Services Fund – Account 3550

This account is authorized to collect and spend up to \$50,000 in an operating account for the Video Productions Services Department of the WVLC. Revenues deposited to this account come from services provided to state agencies and private companies.

Alcohol and Drug Abuse Grant Fund – Account 3552

The Rehabilitation Alcohol and Drug Abuse Grant (RADAR) is a federal pass-through grant received from the Department of Health and Human Resources (DHHR) for providing information to the public regarding alcohol and drug awareness. This includes videos, books, conferences, support of Red Ribbon Week and the personal services of an Office Assistant I. The WVLC receives \$25,000 every quarter upon invoicing DHHR. Any balance at the end of the fiscal year is returned to the DHHR. If the DHHR has additional funds to spend for this purpose, the WVLC may receive additional grant moneys.

Lottery Education-Library Commission Fund – Account 3559

The Lottery Education-Library Commission Fund is an account authorized to receive moneys from the Lottery Commission for the purposes of purchasing books and films for the reference library, providing services to state libraries and grants to public libraries (GIA), digital resources, undertaking special projects and for the servicing of the Infomine Network.

Gifts, Grants and Donations Fund – Account 3562

The WVLC has the authority to receive additional moneys in the forms of gifts, grants, and donations. Some of the regular gifts, grants and donations are as follows:

- The federal Tobacco Awareness Grant;
- Three Gates Foundation Grants: *Staying Connected, Rural Library Sustainability and PACHUG*;
- The Education and the Arts Grant;
- Donations for the Blind;
- The Verizon Digital Bridge Grant.

2000 Library Fire Insurance Settlement Fund – Account 3563

The 2000 Library Fire Insurance Settlement Fund is representative of moneys received from the WV State Board of Risk and Insurance Management (BRIM) in 2004 for the loss of the War Public Library to fire. Because the library held its own insurance policy, the moneys were not spent to replace the library. According to the Director of Administrative Section, the moneys are to be used for the purpose of asset replacement and capital improvements per the State Auditor's Office.

FEDERAL ACCOUNT

The WVLC maintained the following account which was funded from Federal Sources.

<u>Account Number</u>	<u>Description</u>
8720-096	Unclassified

COMPLIANCE MATTERS

Chapter 10 of the West Virginia Code generally governs the WVLC. We tested applicable sections of the above, and general State regulations and other applicable chapters, articles and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are discussed below.

Unauthorized Video Production Services

The WVLC is providing print and video services to private companies and State agencies; however, we could find no authorizing criteria allowing WVLC to provide these types of services to entities other than public libraries. Additionally, the policies of the agency regarding revenues generated from the Video Production Services program are not consistently applied nor are the internal controls adequate to fully ensure the integrity of the program. Also, the agency offers services and goods through the Video Production Services program on credit, operates an accounts receivable and invoices customers for amounts due. During our audit period, deposits to Fund 3550 for Video Production Services totaled \$5,186.42, \$20,346.25, \$14,544.25 and \$18,615.32 for the first half of fiscal year 2007 and fiscal years 2006, 2005 and 2004, respectively.

In essence, the WVLC generates revenue by providing goods and services such as; video production services, post-production services, editing services, video-to-DVD transfer, “on-location” filming, satellite teleconferencing and video duplication to both State government agencies as well as private enterprise firms. However, this is not in compliance with Chapter 10, Article 1, Section 14 of the West Virginia Code, as amended, which states in part:

“The commission shall give assistance, advice and counsel to all school, state-institutional, free and public libraries, and to all communities in the state which may propose to establish libraries...The commission may issue and offer for sale printed material, such as lists and circulars of information, and in the publication thereof may cooperate with other state library commissions and libraries, in order to secure the more economical administration of the work for which it was formed...The commission shall perform such other service **in behalf of public libraries** as it may consider for the best interests of the state.”
(Emphasis Added)

Further, an opinion issued by our Legislative attorneys states, in part:

“The authority to provide video services is not something that seems to have been envisioned in any of provisions of Article 1, Chapter 10 of the W. Va. Code addressing the authority of the Library Commission. Although, providing such services may be of benefit to the public, **it does not appear that the authority to provide the services to nonlibrary entities is reasonably and necessarily implied from the specific statutory provisions relating to the Library Commission.**

In conclusion, I have been unable to find specific statutory language authorizing the Library Commission to provide the video services to nonlibrary entities. **The provision of such services to nonlibrary entities does not appear to be reasonably and necessarily implied from the specific the statutory responsibility of the Library Commission.” (Emphasis Added)**

For the revenues which were collected, we noted the following weaknesses in internal controls:

- We were told during discussions with the Supervisor II over Video Production Services that during the scheduling process with customers, the advertised prices of services and goods offered are not always what are charged. On occasion, the Supervisor II informed us he may negotiate lower rates when he becomes aware the customer he's dealing with has "budgetary constraints" which may hinder the customer's ability to pay the advertised amounts. It was previously explained to us by WVLC management the prices established are only to cover the costs associated with the various services provided and no profit is realized, therefore, negotiating lower prices on the occasions where it happens may put undue financial burden on the WVLC as the inflow of cash from the customer may not meet the costs incurred.
- We were informed by the same Supervisor II that on occasion when goods and services are provided, he may receive payment independent of the agency's "payment-receiving" function. He said there have been instances where payment was rendered in the form of cash directly to him at the time the Video Productions Services section produced goods and those goods changed hands to the customer. It is our belief this environment creates the potential for cash payments to be misappropriated without the knowledge of WVLC administration. We have no method to determine the number of instances payment was rendered to this individual nor are we in position to quantify the total dollars received as cash in this manner. The Director of the Administrative section of the WVLC informed us she was unaware of both the practice of the Supervisor II negotiating prices on occasion and of his accepting and receiving cash payment for goods produced.
- The Administrative Services Assistant II who receives the payment from invoiced Video Production Services customers, records this payment into WVFIMS and prepares these moneys for deposit is the same individual responsible for updating the WVLC accounts receivable file indicating the customer has paid or not paid their balance due with no independent review by upper management. Because of the lack of segregation of duties coupled with a lack of adequate management oversight, we cannot be certain all monies collected by the agency from customers were deposited as required.

Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, 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...."

Effective internal controls have not been established as required over the Video Production Services program. Considering the internal control weaknesses and the Administration's lack of knowledge concerning the Video Production Services program's procedures, we cannot assure ourselves all moneys due the State have been both collected and deposited as required. Additionally, the agency's practice of issuing invoices to customers for services and goods provided is an extension of credit and, therefore, a violation of the State Constitution.

Article 10, section 6 of the West Virginia Constitution states in part:

“...10-6. Credit of state not to be granted in certain cases.

The credit of the state shall not be granted to, or in aid of any county, city, township, corporation or person; nor shall the state ever assume, or become responsible for the debts or liabilities of any county, city, township, corporation or person. The investment of state or public funds shall be subject to procedures and guidelines heretofore or hereafter established by the Legislature for the prudent investment of such funds....”

We recommend that WVLC comply with Chapter 10, Article 1, Section 14 of the West Virginia Code, as amended, and Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, by providing video services to only those entities authorized by law and implementing proper internal controls over those video services which are provided. If the WVLC feels these services necessary in carrying out their mission statement we recommend they seek legislation permitting them to provide these services to additional entities.

Agency's Response

The Compliance Matters section on the Video activities of the West Virginia Library Commission unfortunately reflects a very narrow view of the agency's services to

libraries. The Library Commission works with a number of state agencies and private entities to produce programming that is made available to all citizens of the state through the local library. Although one form of delivery of the programs is through cable channels, all programs are available on a video server that permits their viewing on any computer inside the library network. All program content is the property of the Library Commission. Programs such as "Your DNR" permit the Department of Natural Resources to take their programs directly to the citizen through the public library. The programs on health care provide current information on medical issues at no cost to the library. The patron may view the program on a computer in the library. The patron may also request a copy of the program through interlibrary loan from the Library Commission. The patron can have the program sent to the local library in DVD or VHS format and take it home to view. The assessment that the Library Commission has no authority to provide video services ignores the development of library collections with these materials.

The Library Commission will address the internal controls on the financial issues cited.

Excessive Utility Payments

The WVLC overpaid electric utility expenses by approximately \$18,800.00 and natural gas utility expenses by approximately \$6,600.00 based on information we obtained during our audit. According to a memorandum dated June 19, 1989, by the Commissioner of the Department of Finance and Administration (the Department), the WVLC entered into an agreement with the Department to remit one-third the cost of electric utility service for the Cultural Center in lieu of paying rent.

A memorandum dated June 30, 1989, by the former Director of the Library Commission, states in part:

“...This will confirm my meeting with Commissioner Polan at which time it was resolved that in lieu of rent the Library Commission would pay **one-third** of the utilities for the Cultural Center, and the agreed upon figure is \$80,500 as our share...”
(Emphasis Added)

Despite this agreement, the WVLC currently pays 36% of utilities (consisting of natural gas and electric) for the Cultural Center. WVLC administration has been unable to provide any documentation to support the change from the agreed upon rate of one-third, or 33.33%, to the current 36% and the current Director of the Administration Section informed us she is unsure when and why the WVLC deviated from the original agreed upon rate.

Utility payments for electricity and natural gas during our audit period and the overpayments resulting from the WVLC’s stated policy of remitting 36% of invoiced utility expenses are displayed in the following schedule:

<u>Utility - Fiscal Year</u>	<u>Actual Payments Made (at 36% of the Total Invoice)</u>	<u>Audited Amount (at 33.33% of the Total Invoice)</u>	<u>Difference Overpaid</u>
Electricity – 2004	\$ 91,549.90	\$ 84,759.95	\$ 6,789.95
Electricity – 2005	102,834.20	95,207.33	7,626.87
Electricity – 2006	40,776.82	37,752.54	3,024.28
Electricity.– 1 st half 2007	<u>19,142.32</u>	<u>17,722.60</u>	<u>1,419.72</u>
Totals	<u>\$254,303.24</u>	<u>\$235,442.42</u>	<u>\$18,860.82</u>
Natural Gas – 2006	64,644.60	59,850.13	4,794.47
Natural Gas – 1 st half 2007	<u>25,194.19</u>	<u>23,325.62</u>	<u>1,868.57</u>
Totals	<u>\$ 89,838.79</u>	<u>\$ 83,175.75</u>	<u>\$ 6,663.04</u>

As a result of these overpayments, the WVLC has not had the maximum use of approximately \$25,000.00 to assist in carrying out the mission of the agency.

We recommend the WVLC comply with the agreement made with the Department of Finance and Administration in the June 30, 1989 memorandum and remit payment only for the amounts the WVLC and the Department previously agreed upon.

Agency's Response

The Library Commission will comply with the recommendation to follow the agreement with the Department of Finance and Administration in the June 30, 1989 memorandum.

Unreported Assets in the WV Fixed Asset System

The WVLC has not updated the Commission's Library Holdings in the WVFIMS Fixed Assets System (Fixed Assets) since fiscal year 2003. Library Holdings in this instance consist of those items held by the WVLC within their reference library. Items purchased for inclusion within a Library's inventory are specifically addressed by Surplus Property's Inventory Manual. At the end of each fiscal year, the total value of the items purchased during the fiscal year should be entered as a singular new asset under Library Holdings while items removed throughout the year are to have their value likewise removed as a singular adjustment to the total value of the applicable years' entry; however, the WVLC has made no changes in Library Holdings within the Fixed Assets since 2003. In other words, the amount reported in fiscal year 2003 has simply been carried through each subsequent fiscal year without being adjusted to reflect purchases or retirements. The amount reported for Library Holdings within the Fixed Assets totaled \$3,281,750.78 as of June 30, 2007.

Additionally, the WVLC's Library Holdings are not recorded separately for each fiscal year, but in total for all fiscal years through 2003. Furthermore, the WVLC has not

removed from Fixed Assets any Library Holdings which have been retired or otherwise removed from the collection (such as items that are lost/not returned by library patrons) since 2003. Due to a lack of identifying detail within the accounting records we are unable to determine the total amount spent specifically on tangible additions to Library Holdings during our audit period. We do, however, feel it reasonable to assert these purchases represent a material amount of the agency's disbursements each fiscal year.

Section 3.6.5 of the Surplus Property Unit's Inventory Management Surplus Property Disposition Manual, which provides guidelines to state agencies on inventory management and surplus property disposition, states in part:

“...At the end of the processing fiscal year, June 30th, all books purchased during that fiscal year should be entered in the WVFIMS Fixed Asset System as a new asset....

...All books in Library Holdings are to be retired to the Surplus Property Unit and recorded on a WV-103 Retirement Form as **one lot of books**. The WV-103 Retirement Form must reflect the value of the books being retired. After Surplus Property approves the WV-103 Retirement Form, the agency must execute a Data Change Request reducing the value of the oldest library holding asset, unless the retired books are from a different year, in the same amount as the retirement value. A copy of the approved WV-103 Retirement Form is to be attached to the Data Change Request and submitted to the Purchasing Division's Surplus Property Unit for approval....”

As a result of the failure of the WVLC to update their Library Holdings since 2003, the Commission's Fixed Assets inventory has been misstated. Further, the annual inventory certifications made to the Surplus Property unit by the WVLC's Secretary for fiscal years 2007, 2006, 2005 and 2004 were inaccurate. The current Director of the WVLC's Administration Section informed us that she was not aware the inventory was not being updated

to reflect the purchase and retirement of items in the collection. Further, she stated she is not aware of any procedure in place to remove, from Fixed Assets, items that are not returned to the Reference Library by library patrons. Currently, WVLC staff informed us they are in the process of performing a physical inventory of items included in the Reference Library. The purpose of this inventory is to correct the Reference Library's current catalog system for conversion to a new catalog system.

We recommend the WVLC comply with Section 3.6.5 of the Surplus Property Unit's Inventory Management Surplus Property Disposition Manual by developing a procedure to ensure that all reportable assets owned by the WVLC are included in the WVFIMS Fixed Asset System and all retired or otherwise disposed of property is properly removed from the System.

Agency's Response

The issue cited was created by staff turnover and a failure to inform the new employee of these responsibilities. Procedural changes have been developed by the agency to comply with the Surplus Property Unit's Inventory Management Surplus Property Disposition Manual.

Inadequate Internal Controls – Purchase Card Transactions

During our audit of the WVLC, we identified a few areas of concern with regards to agency internal controls over the \$1,053,560.05 charged to agency purchase cards. While conducting procedural interviews we discovered the WVLC did not report its purchase card transactions to its governing Commissioners as required by, and did not have internally written procedures to ensure purchase card transactions are in compliance with, the West Virginia State

Auditor's Purchase Card Policies and Procedures. At the time of our discussions with agency personnel, the Administrative Services Assistant II for the agency informed us that she was not aware of the criteria requiring the agency to develop written internal controls concerning purchase card usage; agency personnel further stated they were unaware purchase card transactions had to be reported to the Commissioners.

By not reporting purchase card transactions to the Commissioners, a lack of proper management oversight exists. Consequently, Commission members may not know if purchase card policies and procedures were followed. Furthermore, without written internal controls in place to regulate proper purchase card usage, the agency cannot assure itself that it is in compliance with the State Auditor's *Purchasing Card Policies and Procedures.*

Section 2.4.1, "Segregation of Duties", of the State Auditor's Purchasing Card Policies and Procedures states in part:

"...If the spending unit is a board or commission, a report of P card transactions must be provided to board members at regularly scheduled meetings. A copy of the report, as well as the minutes of the board meeting, must be available for review by the State Auditor's Office, P-card Division with the reconciled documentation."

Subsection 7.0 of the State Auditor's West Virginia Purchasing Card Policies and Procedures states in part:

"Section 7.0: Transaction Documentation & Reconciliation

...Each Spending Unit is required to develop and document internal control procedures that ensure Pcard usage is consistent with this manual, and to develop guidelines for distribution to cardholders."

We recommend the WVLC comply with Section 2.4.1, “Segregation of Duties”, of the State Auditor’s *Purchasing Card Policies and Procedures*; and Subsection 7.0 of the State Auditor’s *Purchasing Card Policies and Procedures* by developing and documenting internal control procedures and by submitting to its Commissioners a report of purchase card transactions.

Agency’s Response

The Purchase Card Division of the State Auditor’s Office has done consistent site reviews of the Library Commission’s P-card program since the program’s inception. At no time were these issues ever cited. The Library Commission established Internal Control procedures in September 2007.

A full financial report of the agency’s activities is provided to Library Commissioners at each regular meeting. Although the P-card has not been treated as a separate entity, all activity is included in the financial report.

The agency will comply with the recommendation of the report.

Unauthorized Fees Assessed for Non-Returned Library Items

The WVLC is assessing fees for non-returned books even though specific authority has not been granted to the WVLC to assess these fees. Additionally, although the WVLC does not have authority to collect these fees, we noted that for the fees which are being collected, internal controls do not exist which would prevent the misappropriation of the monies collected by the WVLC employees. Furthermore, documentation does not exist which would allow us to independently verify with any certainty, the amounts collected during our audit period. According to the WVLC, the amounts deposited as non-returned library item fees over our audit period totaled \$814.81.

All of the library items available for circulation are tracked using the WVLC's catalog system which is accessed through the Visionary Technology in Library Solutions software program, *Reflections*. When an item is borrowed from the library, a record is created in the system indicating the item was checked out by the patron's respective library card account number. If the item becomes overdue, monthly notices are sent to the patron. The second such notice includes an invoice for the cost of the item plus a fifteen percent processing fee. We were informed the processing fee is to cover the cost of processing a replacement item which will be added back to the collection. According to the Secretary of the WVLC (the Secretary), amounts deposited for lost books during our audit period are as follows:

<u>Fiscal Year</u>	<u>Amount Deposited</u>
2004	\$128.75
2005	121.09
2006	222.80
2007 (as of 12/31/06)	<u>342.17</u>
Total	<u>\$814.81</u>

Upon reviewing the West Virginia Code and other rules and regulations, we could not determine any criteria which authorized the WVLC to invoice for the cost of items checked out of the WVLC Reference Library plus a fifteen percent processing fee when the items are not returned by a patron. The WVLC could not provide any criteria authorizing these collections, however, the Secretary stated that he believes it is his responsibility to recover the cost of items not returned to the Library.

Although the WVLC does not have authority to collect these fees, for the fees collected, we noted the following internal control weaknesses and lack of record keeping issues:

- According to a memorandum we received from the Secretary on July 24, 2007, due to the age of the catalog system and incorrect settings within the system, the WVLC is unable to provide a listing of amounts billed to and collected from patrons during this same period. He provided us with an explanation he received from an Information Systems Specialist I with the WVLC's Network Services Department. She stated the catalog system was unable to produce statistical information regarding fines collected, waived, added, or modified.
- The Library Assistant who is generally responsible for mailing the overdue notices and billings to patrons does not retain a copy of the notices or maintain any record of notices mailed.
- The Library Assistant who mails these notices to patrons is also one of the staff members who receive payments at the library circulation desk.
- Any one of the WVLC employees assigned to the Reference Library has the ability to receive payments for lost items, unfreeze the patron's account and remove the lost items from the WVLC's inventory within the catalog system.
- The WVLC does not use receipt books or any other means of accounting for all payments received.
- No further invoices are generated or mailed after the second notice.
- Any patron who does not return to pay an invoice or return an item after receiving the second notice is no longer monitored by agency personnel; though the patron's account will remain frozen within the catalog system until such time as all obligations are satisfied and a Library Assistant manually unfreezes the account.

As a result of the lack of record-keeping and internal control overall, we were unable to determine the total amount of all fees that were assessed and collected for lost books during our audit period. Further, we were unable to determine that all amounts collected were deposited with the State Treasury to the credit of the WVLC.

The Secretary stated that he was not aware the WVLC was not accounting for amounts billed and received for lost books and other items. He further stated the WVLC is currently working to implement new library software to correct the above issues.

We recommend the WVLC assess, collect and deposit only those moneys it is authorized to assess, collect and deposit. We further recommend the WVLC seek legislation which grants the WVLC the authority to assess these fees if the WVLC determines that these fees are necessary.

Agency's Response

This is another area where the audit again seems too narrow in scope. The billing for books not returned to a library is a standard practice in libraries. The billing normally results in the return of the library materials, which is the ultimate goal for the library. The Library Commission is given stewardship of public funds to purchase library materials. The library is not a book "give away." The patron understands this relationship before materials are ever checked out. The return of materials is so critical to libraries that a section of the West Virginia Code, §10-1-11, provides even greater penalties for "Willful retention of library property."

The Library Commission has purchased and now has in place a new integrated library software system that allows better tracking of over dues, billings, etc. The replacement of the software will insure greater control of library materials.

The Library Commission will institute internal controls and procedures for oversight of these moneys.

Unauthorized Fees Assessed for Copier Use

The WVLC collects copying fees for which it does not have the authority. According to the Director of the Administrative Section of the WVLC, the WVLC receives money for the service of making photocopies in the Reference Library. The WVLC charges ten

cents per copy, but donations are accepted on occasion if a patron is inclined to do so. Amounts received for copies are deposited to the Library Commission Fund (0296) as reimbursement of the costs of paper, toner, etc. The fees collected are maintained in the Reference Library in a small, open cash box. We were told this money is used to make change on occasion and is deposited only periodically when the cash has had time to accumulate to an amount reasonable for deposit. We performed a cash count April 10, 2007 at the WVLC and were told that of the \$56.98 counted, \$20.00 was held as a change-fund and \$36.98 was the total receipts for the assessment of the copying fees that were on hand at that time awaiting deposit.

Upon reviewing the West Virginia Code and other rules and regulations, we could not determine any criteria which authorized the WVLC to collect copying fees. Further, the WVLC could not provide any criteria authorizing the collection of these fees. Subsequent to our inquiries with management on this issue, the WVLC informed us they have ceased the collection of copying fees. Due to a lack of record keeping regarding the collection of these fees, we are unable to determine the total amounts collected by the WVLC as copying fees during our audit period.

Although the WVLC did not have specific statutory authority to collect these moneys, the moneys which were being collected were required to have been maintained in accordance with other rules and regulations while being collected. In essence, the WVLC was operating an imprest fund and therefore was required to obtain authorization for this fund from the West Virginia State Treasurer's Office in accordance with Chapter 12, Article 2, Section 2(d), as amended, which states in part:

“...The State Treasurer may establish an imprest fund or funds in the office of any state spending unit upon receipt of a proper application....”

Additionally, Legislative Rule Title 112, Section 3, Subsection 3 states in part:

“...Any state agency requiring the establishment of an imprest fund shall make application to the Treasurer on the forms prescribed by him or her. The forms shall indicate the name, purpose, desired balance of the imprest fund, physical location, and the person responsible for the imprest fund as well as the agency name....”

Maintaining cash on hand increases the likelihood of loss due to theft of those monies collected. Additionally, the collection of fees the WVLC is not authorized to collect creates a liability to the patrons remitting the monies. Due to a lack of record keeping regarding the collection of these fees, we are unable to determine the total amounts collected by the WVLC as copying fees during our audit period.

We recommend the WVLC collect and deposit into General Revenue Fund 0296 only those moneys it is authorized to collect and deposit. We further recommend the WVLC seek legislation which grants the WVLC the authority to assess these fees if the WVLC determines that these fees are necessary.

Agency's Response

Again, a standard library practice is being questioned by the audit. The recovery of costs associated with copies is a universal practice in libraries. Since the library would not be making the copies if they were not requested by the patron, the state should not cover these costs. The burden and cost of creating legislation to “permit” a standard practice in the library on the surface seems excessive.

Incorrect Calculation of Retirement and Resignation Related Payments

During our audit of the WVLC we preformed a test of disbursements resulting from employee retirements or resignations and selected four of the 26 full-time employees who separated employment during our audit period for review. We determined the lump sum payout of accrued annual leave for three of the four employees was calculated incorrectly, the pro-rated payout of accrued annual increment for all four employees was calculated incorrectly and the final pay for two of the four employees was calculated incorrectly. Overpayments to employees totaled \$275.38. Underpayments to employees totaled \$1,572.98.

The three instances where the WVLC improperly calculated the annual leave lump sum payment for retiring or resigning employees are detailed in the following schedule:

<u>Employee</u>	<u>Payment Date</u>	<u>Lump Sum Paid</u>	<u>Audited Lump Sum Payment</u>	<u>Difference (Under)/Over</u>
Employee #1	10/31/2004	\$9,448.06	\$9,598.48	(\$150.42)
Employee #2	10/31/2003	10,151.55	11,024.31	(872.76)
Employee #3	01/23/2004	<u>3,510.00</u>	<u>3,342.09</u>	<u>167.91</u>
			TOTAL	<u>(\$855.27)</u>

Chapter 5, Article 5, Section 3 of the West Virginia Code, as amended, states in part:

“Every eligible employee, as defined in section one of this article, at the time his or her active employment ends due to resignation, death, retirement or otherwise, may be paid in a lump sum amount, at his or her option, for accrued and unused annual leave **at the employee's usual rate of pay** at the time. The lump sum payment shall be made by the time of what would have been the employee's next regular payday had his or her employment continued....”
(Emphasis Added)

The four instances where the WVLC improperly calculated the pro-rated payout of accrued annual increment for retiring or resigning employees are detailed in the following schedule:

<u>Employee</u>	<u>Payment Date</u>	<u>Annual Increment Paid</u>	<u>Audited Annual Increment Payment</u>	<u>Difference Over/(Under)</u>
Employee #1	10/31/2004	\$1,031.47	\$1,024.62	\$ 6.85
Employee #2	10/31/2003	666.68	1,151.75	(485.07)
Employee #3	01/23/2004	140.67	201.00	(60.33)
Employee #4	1/13/06 & 1/24/06	<u>81.25</u>	<u>85.65</u>	<u>(4.40)</u>
			TOTAL	<u>(\$542.95)</u>

Chapter 5, Article 2, Section 2 of the West Virginia Code, as amended, states in part:

“(a) Every eligible employee with three or more years of service shall receive an annual salary increase equal to fifty dollars times the employees years of service. In each fiscal year and on the first day of July, each eligible employee shall receive an annual increment increase of fifty dollars for that fiscal year.

(b) Every employee becoming newly eligible as a result of meeting the three years of service minimum requirement on the first day of July in any fiscal year, is entitled to the annual salary increase equal to fifty dollars times the employees years of service, where he or she has not in a previous fiscal year received the benefit of an increment computation. Thereafter, the employee shall receive a single annual increment increase of fifty dollars for each subsequent fiscal year....”

The Attorney General’s Opinion dated June 27, 1990, states in part:

“Considering that this sections incremental increase constitutes part of an eligible state employees regular pay for services previously rendered, any such employee has a statutory right to any accrued pro rata share of that increment owing but not due on

his final day of employment. By entitlement to a pro rata share, it is meant that an employee who does not work an entire fiscal year is entitled to a fractional portion of the total increment to which the employee would have been entitled had he been employed during the entire fiscal year....”

The West Virginia Division of Personnel Policy (DOP) Annual Increment Policy

addresses the process for a separating employee and states, in part:

**West Virginia DOP Annual Increment
III. POLICY**

“B. Separating employees shall be paid the annual increment on a pro rata basis for the portion of service rendered by the employee during the current fiscal year of employment.

1. Such service period **shall include tenure value of any terminal annual leave, regardless of the method of payment.**

2. The prorated portion an employee receives upon separation prior to June 30, shall be based on his or her totaled full years of service, and shall be computed based on the months of service rendered in the fiscal year in which the employee terminates...” **(Emphasis Added)**

Finally, the two instances where the WVLC improperly calculated the final regular pay for retiring or resigning employees are detailed in the following schedule:

<u>Employee</u>	<u>Payment Date</u>	<u>Final Pay Paid</u>	<u>Audited Final Pay Payment</u>	<u>Difference</u>
Employee #3	01/23/2004	\$780.00	\$722.86	\$ 57.14
Employee #4	01/13/06 & 01/24/06	<u>913.00</u>	<u>869.52</u>	<u>43.48</u>
			TOTAL	<u>\$100.62</u>

Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, states:

“No money shall be drawn from the treasury to pay the salary of any officer or employee before his services have been rendered.”

We were informed by the agency's Administrative Services Assistant II the *Division of Personnel's Pro-Rated Annual Increment Calculator* was not used as she did not know of its existence. We were also informed the calculations for separating employees were made in accordance with the method a former employee had instructed her in when she was initially assigned responsibility for the tasks.

As a result of the overpayments and the underpayments, the WVLC has not treated all terminating employees fairly, increasing the risk of grievances against the agency. Additionally, as a result of the underpayments, the WVLC has created multiple liabilities with terminating employees.

We recommend the WVLC comply with Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended; Chapter 5, Article 5, Section 3 of the West Virginia Code, as amended; Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended; The Attorney General's Opinion dated June 27, 1990; and The West Virginia Division of Personnel Policy Annual Increment Policy and pay to resigning and retiring employees the actual amounts due them at the times required.

Agency's Response

The incorrect calculations are another legacy involving a long-term employee's procedure that was not questioned because there was no indication the procedure was incorrect. The mistake was duplicated when the procedure was taught to a replacement employee. As soon as the agency discovered the practice, procedures were changed to bring the agency into compliance.

Improperly Paying Mileage to WVLC Members

The WVLC is paying mileage to the members of the WVLC in non-compliance with West Virginia Code. During our test of travel expenditures of the WVLC, we noted three transactions of 35 tested included reimbursements of mileage to members of the Commission. These mileage reimbursements are detailed in the following schedule:

<u>Commissioner</u>	<u>Date Paid</u>	<u>Mileage Description</u>	<u>Amount Paid</u>
Commissioner #1	02/20/04	Commission Meeting- Weirton to Charleston and Return	\$164.25
Commissioner #2	11/30/04	WV Library Association Meeting- Webster Springs to Roanoke, VA and return	42.00
Commissioner #3	02/17/04	WV Library Association Meeting- Shepherdstown to Lewisburg and return	<u>402.00</u>
		Total	<u>\$608.25</u>

Chapter 12, Article 3, Section 7 of the West Virginia Code, as amended, states in part:

“Unless otherwise provided by law, a member of any state board or commission:... (2) Receives the actual and necessary expenses incurred in the discharge of his or her duties; and (3) **Does not receive mileage....**” (Emphasis Added)

According to the Secretary of the Library Commission, he was not aware of the above code section which differentiates mileage from reimbursable expenses. As a result of the unauthorized payment of mileage to the commissioners, the spending unit is without the use of these funds for other purposes.

We recommend the WVLC comply with the provisions of Chapter 12, Article 3, Section 7 of the West Virginia Code, as amended, and discontinue the practice of reimbursing

commissioners for mileage. Additionally, we recommend the WVLC request a change in statute to allow for more complete reimbursement of “*actual and necessary expenses*” of the commissioners.

Agency’s Response

The finding on this issue is extremely confusing. The Code citation provided, §12-3-7, seems to be in direct conflict to “paying the expenses of the commissioners,” (§10-1-15) or the language of §12-3-7, “(2) Receives the actual and necessary expenses incurred in the discharge of his or her duties.” What is mileage if not “actual and necessary expenses?” The agency has followed the instructions of the West Virginia Purchasing Division Travel Management Unit. Section 3 is headed “Travel regulations applicable to all employees, board and commission members, and non-employees.” Under 3.2.1 the rule states “This rule shall govern reimbursement of travel expenses to board and commission members when legislation requires such members to follow the rule.” Granted the Code does not direct the agency to “follow the rule” however how are Commissioners to be covered for these “actual and necessary expenses?” The agency cannot ask Commissioners, appointed by the Governor and confirmed by the Senate, to pay their travel expense and comply with the law to cover their expenses.

The agency will require greater direction to comply with both paying actual and necessary expenses and not paying mileage. The Library Commission currently has members driving from Shepherdstown, Weirton, Wheeling, War, Princeton, Glenville and Webster Springs. Only one member resides in Charleston. If the agency were to ask the Commissioners to “estimate” fuel used as an expense it would not cover the full cost of

operating their vehicle. The Travel Unit in 4.2.6.1 reads in part “This rate [mileage] is intended to cover all operating costs of the vehicle (including fuel, maintenance, depreciation, insurance, etc.) ...” The key word in the statement is “costs.”

Until there can be some clarification in how expenses can be covered without paying mileage, the agency feels it must follow the Travel Unit procedure that applies to Commissioners.

Inaccurate Sick and Annual Leave Balances

The method used by the WVLC to track and record the accrual and use of annual and sick leave for WVLC employees resulted in one employee receiving 0.35 days of annual leave and 0.49 days of sick leave in excess of what the employee earned during the audit period.

Employees of the WVLC work a 7.50 hour day and take and earn leave based upon 7.50 hours. To track, record and monitor sick and annual leave for its employees, the WVLC use the Department of Administration’s West Virginia Online Leave System. However, the system only accepts data based upon an 8.00 hour workday, therefore, in order for the WVLC to make use of the system, the WVLC must convert the 7.50 hour leave taken to 8.00 hours as described in the following example:

“7.50 x 1.06 = 7.95 ----> rounded to 8.00 to input into the System”

When an entire day of annual or sick leave is used, 8.00 hours are removed from the System. However, when portions of an entire day of leave are used, the requested portion of leave is multiplied by “1.06” so as to get the proper ratio to remove from the “8.00” hours previously entered. In these instances, anything below 2.50 hours, when multiplied by 1.06, will always round back down to the original number. With this in mind, the agency converts no

portions 2.50 hours or smaller. There is no guarantee the agency's rounding efforts, where completed, will effectively remove the "0.05" hours of leave previously credited in the example above. Additionally, because values 2.50 and smaller are not converted they do not represent an accurate portion of the 8.00 hours previously credited when removed and that further enlarges the potential discrepancies. As a result of rounding and of the conversion process, employees are subject to receive leave they did not earn.

For the one employee tested, we reviewed all of the months' time for our audit period. As a result of the conversion from a 7.50 hour workday to an 8.00 hour workday, the employee was credited with 0.35 days of annual leave in excess what the earned and 0.49 days of sick leave in excess what the employee earned.

Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, which addresses paying an employee prior to services being rendered, states:

"No money shall be drawn from the treasury to pay the salary of any officer or employee before his services have been rendered."

Section 3.6 of the Administrative Rule of the Division of Personnel defines annual leave as:

"...an **earned** employee benefit of paid time off from work with prior approval of the appointing authority or designee." (**Emphasis Added**)

Section 3.89 of the Administrative Rule of the Division of Personnel defines annual leave as:

"...an **earned** employee benefit of paid time off as specified by this rule for illnesses, injuries and other circumstances." (**Emphasis Added**)

The possibility exists that the sick and annual leave balances of all employees of the WVLC have been misstated during the audit period. We feel this practice may also place the WVLC at risk for litigation due to unfair treatment resulting from the crediting of annual and sick leave to its employees in an inconsistent manner. An unfavorable judgment in a suit of this nature would exponentially increase the negative monetary effect of this agency's practices concerning leave and would place the state at financial risk. WVLC staff have recently informed us they have ceased the above practice and restructured their work days to allow themselves to more accurately and effectively monitor, record and track sick and annual leave.

We recommend the WVLC comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, and Sections 3.6 and 3.89 of the Division of Personnel's Administrative Rule by only crediting employees for sick and annual leave earned.

Agency's Response

For as long as anyone on the staff could remember (some 40-year plus employees) the Library Commission had a 7.5 hour defined workday. The workday was not an issue until the Department of Administration instituted an Online Leave System. Since the system would only accept an 8 hour workday, the agency attempted to retain the historic 7.5 hour workday under the 8 hour software. When the discrepancies were brought to the agency's attention, the Executive Secretary and Library Administrative Services Director worked with the Division of Personnel to move the agency to a standard 8 hour workday. The 8 hour day has been in place since January 2008. This puts the agency in compliance.

Not Processing Invoices within 10 Days of Receipt

During our audit of the WVLC, we noted five instances, totaling \$140,996.03, of 71 general cash disbursements tested and two instances, totaling \$27,446.20, of 24 equipment

disbursements tested where the WVLC failed to stamp the invoice the date it was received or did not maintain the postmarked envelope. As a result, we are unable to assure ourselves the invoices were processed for payment within ten days of receipt as required.

<u>Vendor Name</u>	<u>Doc. Number</u>	<u>Receipt Date</u>	<u>Amount Paid</u>	<u>Process Payment Date</u>
AT&T	I006259221	no date	\$ 2.17	02/09/2004
Chapman Printing Co., Inc.	I006457050	no date	231.20	07/07/2004
VTLS, Inc.	I006504463	no date	139,595.81	08/06/2004
Verizon	I006207598	no date	1,166.85	01/06/2004
WV Archives	E000588390	no date	60.00	06/01/2005
EBSCO	I006893527	no date	14,136.00	05/10/2005
Baker & Taylor	I005958399	no date	<u>13,330.20</u>	07/11/2003
Total			<u>\$168,522.23</u>	

We discovered an additional two instances, totaling \$184,908.77, where the invoices were date stamped upon receipt but not processed for payment within ten days.

<u>Vendor Name</u>	<u>Doc. Number</u>	<u>Received</u>	<u>Amount</u>	<u>Process Payment Date</u>	<u>Business Days Late</u>
Verizon	I006738796	01/13/2005	\$ 55,458.77	02/08/2005	17
EBSCO	I006481762	07/01/2004	<u>129,450.00</u>	07/22/2004	5
TOTAL			<u>\$184,908.77</u>	AVERAGE DAYS	11

Not processing legitimate, uncontested invoices within ten days of receipt places the agency at undue risk to incur interest on unpaid amounts.

Chapter 5A, Article 3, Section 54b of the West Virginia Code, addresses payment of legitimate, uncontested invoices and interest on late payments, which states, in part:

“... (b) (1) Except as provided in subdivision (2) of this subsection, for purchases of services or commodities made on or after the first day of July, one thousand nine hundred ninety-one, 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, as determined by the state tax commissioner under the provisions of section seventeen-a, article ten, chapter eleven of this code, which interest shall be calculated from the sixty-first day after such invoice was received by the state agency until the date on which the state check is mailed to the vendor. (3) For purposes of this subsection, an invoice shall be deemed to be received by a state agency on the date on which the invoice is marked as received by the agency, or three days after the date of the postmark made by the United States postal service as evidenced on the envelope in which the invoice is mailed, whichever is earlier: *Provided*, That in the event an invoice is received by a state agency prior to the date on which the commodities or services covered by the invoice are delivered and accepted or fully performed and accepted, the invoice shall be deemed to be received on the date on which the commodities or services covered by the invoice were actually delivered and accepted or fully performed and accepted. (d) **The state agency initially receiving a legitimate uncontested invoice shall process such invoice for payment within ten days from its receipt:** *Provided*, That in the case of the department of health and human resources, the division of highways and the public employees insurance agency, such invoices shall be processed within fifteen days of their receipt. No state agency shall be liable for payment of interest owed by another state agency under this section..." (Emphasis Added)

We recommend the WVLC comply with Chapter 5A, Article 3, Section 54b of the West Virginia Code, as amended, and process for payment all legitimate, uncontested invoices within ten days of receipt.

Agency's Response

Although the agency understands the position of the audit on the inability to determine if certain unstamped invoices were paid within 10 days, the heading reads "Not processing invoices within 10 days of receipt." The real finding of 30 months of payments by the audit is two invoices were not paid with 10 days. The agency will comply with the recommendation to process payments within 10 days.

Excessive Per Diem Payment

The WVLC paid per diem to an employee for travel on days the employee was not required to be out of town. An employee of the WVLC attending a seminar for Librarians flew to Chicago, Illinois on Saturday, April 1, 2006; however, the seminar that she was attending did not begin until Monday, April 3, 2006. According to the employee's reimbursement request, which included airfare in the amount of \$296.60, she elected to take a Saturday flight in order to obtain a cheaper fare and she stayed two nights with friends. We were unable to determine if the employee obtained the airline ticket via the statewide contract travel vendor or if she obtained less expensive airfare by traveling on Saturday due to the lack of documentation provided.

Although the employee did not request lodging reimbursement for April 1st and 2nd, she did receive per diem for both days in the amount of \$48.00 (75% of daily rate) and \$64.00, respectively. We believe the employee should not have received any per diem for Saturday, April 1, 2006 as she was not required to be in Chicago on that date and should have only received per diem on Sunday in the amount of \$48.00.

Section 2 of the State Travel Rule, which addresses travel for state business, states in part:

“...**2.3** Travel may be authorized only for official business and only if the state agency has the financial resources to reimburse the traveler for travel expenses....”

...**2.5** 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....”

Additionally, Section 4 of the State Travel Rule, which addresses air transportation for state travel, states in part:

“...**4.1.1.2** Travelers are expected to make advance bookings through the contracted travel service vendor to secure the least expensive airfare possible....

...**4.1.1.6** Deliberately causing increased costs or delays to obtain personal gratuities, such as denied boarding compensation, frequent flier points or mileage, or similar benefits, is prohibited. In addition, conversion of airline tickets for personal benefit, such as downgrading tickets, returning unused tickets for cash, credit, or personal airline tickets, or similar actions, is prohibited....”

The Director of Administrative Services for the WVLC stated she was not aware of any reason why this employee was permitted to travel to Chicago early. She also stated the WVLC always uses the statewide contract travel vendor to obtain airline tickets and that she does not know why documentation from the vendor was not attached to the reimbursement request. She further stated the employee should not have received per diem for Saturday, April 1, 2006. As a result of the lack of documentation regarding the airline ticket purchased, we are unable to determine if the employee obtained the least expensive airfare available. The employee was overpaid \$64.00 for per diem as a result of the allowed early day of travel.

We recommend the WVLC comply with Section 2 of the State Travel Rule by developing a policy to ensure that travel reimbursements are accurate, have been properly authorized by the WVLC, and relate only to travel for official WVLC business. We further recommend WVLC comply with Section 4 of the State Travel Rule by developing a policy to ensure that the statewide contract travel vendor is used for the purchase of airline tickets and that proper supporting documentation is retained for all travel reimbursements.

Agency's Response

On the Travel Settlement cited the following statement appears, “In order to save the state money she [the traveler] took a Saturday flight and stayed two nights with

friends.” Assuming the traveler had traveled on Sunday and stayed in the hotel the settlement would have included an additional \$145.00 for the room and \$22.33 in occupancy tax. This represents a total of \$167.33 in additional cost to the state. The agency agrees the amount saved on the airline ticket should have been documented, but also believes the travel would not have been approved unless the cost comparison had been reported previous to travel. The total amount in question reimbursed the employee is \$64.00. Disregarding the undocumented amount saved on the airline ticket, the difference in one more night in the hotel is a savings to the state of \$103.33.

The Library Commission will comply with the recommendation but believes the problem cited is one of documentation and not procedure.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of appropriations/cash receipts, expenditures/disbursements and changes in fund balances of the West Virginia Library Commission (WVLC) for the years ended June 30, 2004, June 30, 2005, June 30, 2006 and the half-year ended December 31, 2006. The financial statement is the responsibility of the management of the West Virginia Library Commission. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenses paid by the West Virginia Library Commission for the years ended June 30, 2004, June 30, 2005, June 30, 2006 and the half-year ended December 31, 2006, on the basis of accounting described in Note A.

Respectfully submitted,



Stacy L Sneed, CPA, Director
Legislative Post Audit Division

March 20, 2008

Auditors: Trenton W. Morton, Audit Manager
Jean Ann Krebs, CPA, Audit Manager
Michael E. Sizemore, CPA, Audit Manager
Derek A. O'Neal, Auditor-in-Charge
Amy J. Swain, CPA, Auditor III
Thomas F. Ward, CPA, Auditor III
Anna J. Johnson, CPA, Auditor II
Greg M. Rogers, Auditor II
Erin M. Hardy, Auditor II
Sheela K. Frances, Auditor II
Jayson B. White, Auditor I

WEST VIRGINIA LIBRARY COMMISSION

STATEMENT OF APPROPRIATIONS/CASH RECEIPTS, EXPENDITURES/DISBURSEMENTS

AND CHANGES IN FUND BALANCES

	<u>Year Ended June 30, 2005</u>				
	<u>General Revenue</u>	<u>Lottery Funds</u>	<u>Special Revenue</u>	<u>Federal Funds</u>	<u>Combined Totals</u>
Appropriations/Cash Receipts:					
Appropriations	\$1,594,398.00	\$10,195,645.00	\$ 0.00	\$ 0.00	\$11,790,043.00
Cash Receipts:					
Professional Fees	0.00	0.00	14,544.25	0.00	14,544.25
Non-Federal Grants	0.00	0.00	400,013.71	0.00	400,013.71
Gifts and Donations	0.00	0.00	57,259.00	0.00	57,259.00
Appalachian Regional Commission	0.00	0.00	0.00	0.00	0.00
Institute of Museum Services	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,354,946.00</u>	<u>1,354,946.00</u>
	1,594,398.00	10,195,645.00	471,816.96	1,354,946.00	13,616,805.96
Expenditures/Disbursements:					
Personal Services	850,266.48	379,997.50	47,042.50	214,074.99	1,491,381.47
Annual Increment	22,081.47	4,079.20	0.00	4,000.00	30,160.67
Employee Benefits	302,861.30	145,208.32	21,734.85	68,603.03	538,407.50
Current Expenses	233,088.26	536,129.90	383,019.79	487,225.00	1,639,462.95
Repairs and Alterations	3,779.71	193.00	800.57	0.00	4,773.28
Assets	29,678.77	705,430.73	21,721.36	186,147.92	942,978.78
Other Disbursements	40,000.00	8,351,884.00	0.00	522,955.55	8,914,839.55
Public Employees' Insurance					
Reserve Transfer	<u>9,949.52</u>	<u>2,858.00</u>	<u>0.00</u>	<u>0.00</u>	<u>12,807.52</u>
	<u>1,491,705.51</u>	<u>10,125,780.65</u>	<u>474,319.07</u>	<u>1,483,006.49</u>	<u>13,574,811.72</u>
Appropriations/Cash Receipts Over Expenditures/Disbursements	102,692.49	69,864.35	(2,502.11)	(128,060.49)	41,994.24
Expirations & Expenditures - After June 30	(102,692.49)	(69,864.35)	0.00	(1,330.64)	(173,887.48)
Beginning Balance	<u>0.00</u>	<u>0.00</u>	<u>542,582.92</u>	<u>136,189.03</u>	<u>678,771.95</u>
Ending Balance	<u>(\$0.00)</u>	<u>(\$0.00)</u>	<u>\$540,080.81</u>	<u>\$ 6,797.90</u>	<u>\$ 546,878.71</u>

See Notes to Financial Statements

<u>General Revenue</u>	<u>Year Ended June 30, 2006</u>				<u>Combined Totals</u>	<u>Period Ended December 31, 2006</u>				<u>Combined Totals</u>
	<u>Lottery Funds</u>	<u>Special Revenue</u>	<u>Federal Funds</u>			<u>General Revenue</u>	<u>Lottery Funds</u>	<u>Special Revenue</u>	<u>Federal Funds</u>	
\$1,639,591.00	\$10,204,760.00	\$ 0.00	\$ 0.00	\$11,844,351.00	\$1,764,639.00	\$10,521,860.00	\$ 0.00	\$ 0.00	\$12,286,499.00	
0.00	0.00	19,743.75	0.00	19,743.75	0.00	0.00	5,176.42	0.00	5,176.42	
0.00	0.00	235,000.00	0.00	235,000.00	0.00	0.00	88,500.00	0.00	88,500.00	
0.00	0.00	1,181,794.25	0.00	1,181,794.25	0.00	0.00	1,507.10	0.00	1,507.10	
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>993,273.00</u>	<u>993,273.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>449,667.00</u>	<u>449,667.00</u>	
1,639,591.00	10,204,760.00	1,436,538.00	993,273.00	14,274,162.00	1,764,639.00	10,521,860.00	95,183.52	449,667.00	12,831,349.52	
854,168.62	399,889.31	54,834.75	215,684.94	1,524,577.62	457,212.34	206,805.81	12,516.23	75,006.00	751,540.38	
21,539.72	4,400.00	300.00	4,925.00	31,164.72	23,043.75	5,300.00	0.00	2,250.00	30,593.75	
316,694.61	167,850.97	31,864.77	71,024.35	587,434.70	178,523.92	87,671.96	10,042.26	23,542.74	299,780.88	
231,906.09	396,217.07	236,380.46	210,259.42	1,074,763.04	100,119.63	108,398.06	157,126.67	188,707.19	554,351.55	
4,456.45	0.00	12,499.83	0.00	16,956.28	1,236.08	0.00	0.00	0.00	1,236.08	
25,422.06	677,647.87	41,242.30	188,601.60	932,913.83	30,289.46	241,916.35	0.00	325,748.76	597,954.57	
20,000.00	8,401,684.00	435,170.00	16,000.00	8,872,854.00	122.02	4,054,110.85	0.00	35,328.60	4,089,561.47	
<u>10,000.00</u>	<u>2,918.00</u>	<u>0.00</u>	<u>0.00</u>	<u>12,918.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
<u>1,484,187.55</u>	<u>10,050,607.22</u>	<u>812,292.11</u>	<u>706,495.31</u>	<u>13,053,582.19</u>	<u>790,547.20</u>	<u>4,704,203.03</u>	<u>179,685.16</u>	<u>650,583.29</u>	<u>6,325,018.68</u>	
155,403.45	154,152.78	624,245.89	286,777.69	1,220,579.81	974,091.80	5,817,656.97	(84,501.64)	(200,916.29)	6,506,330.84	
(155,403.45)	(154,152.78)	0.00	(53,452.71)	(363,008.94)	0.00	0.00	0.00	0.00	0.00	
<u>0.00</u>	<u>0.00</u>	<u>540,080.81</u>	<u>8,128.54</u>	<u>548,209.35</u>	<u>0.00</u>	<u>0.00</u>	<u>1,164,326.70</u>	<u>294,906.23</u>	<u>1,459,232.93</u>	
<u>(\$0.00)</u>	<u>(\$0.00)</u>	<u>\$1,164,326.70</u>	<u>\$241,453.52</u>	<u>\$ 1,405,780.22</u>	<u>\$ 974,091.80</u>	<u>\$ 5,817,656.97</u>	<u>\$1,079,825.06</u>	<u>\$ 93,989.94</u>	<u>\$ 7,965,563.77</u>	

WEST VIRGINIA LIBRARY COMMISSION

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policy

Accounting Method: The modified cash basis of accounting is followed for the General Revenue Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. All balances of the General Revenue Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 31 days after the fiscal year-end; however, appropriations for buildings and land remain in effect until three years after the passage of the act by which such appropriations were made. The cash basis of accounting is followed by all other funds. Therefore, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Expenditures paid after June 30, in the carry-over period and expirations were as follows:

	Expenditures Paid After		Expirations	
	<u>June 30,</u>		<u>July 31,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Administration Fund:				
Personal Services	\$ 0.00	\$ 0.00	\$0.91	\$ 3,883.53
Annual Increment	0.00	0.00	7,468.75	2,186.00
Employee Benefits	0.00	0.00	0.39	0.70
EBA Contractual Services	0.00	0.00	0.00	37,700.73
Unclassified	137,849.07	55,138.02	0.58	0.28
Services to Blind & Handicapped	8,015.75	3,783.23	0.00	0.00
BRIM Premiums	<u>0.00</u>	<u>0.00</u>	<u>2,068.00</u>	<u>0.00</u>
	<u>\$145,864.82</u>	<u>\$58,921.25</u>	<u>\$9,538.63</u>	<u>\$43,771.24</u>

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

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are four and one-half percent of the annual compensation and employees have vested rights under certain circumstances. The West Virginia Library Commission matches contributions at 10.5% of the compensation on which the employees made contributions. The West Virginia Library Commission's pension expenditures were as follows:

	<u>Period Ended</u> <u>December 31,</u>	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2006</u>	<u>2005</u>
General Revenue	\$49,975.45	\$ 90,783.75	\$ 90,382.28
Special Revenue	1,309.01	5,823.34	4,886.70
Lottery Revenue	22,282.38	42,238.4	39,537.12
Federal Revenue	<u>8,111.97</u>	<u>23,020.21</u>	<u>22,897.84</u>
	<u>\$83,684.81</u>	<u>\$163,871.70</u>	<u>\$159,708.94</u>

SUPPLEMENTAL INFORMATION

WEST VIRGINIA LIBRARY COMMISSION

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

<u>Personal Services - (0296-001)</u>	<u>Period Ended December 31, 2006</u>	<u>Year Ended June 30,</u>	
		<u>2006</u>	<u>2005</u>
Appropriations	\$948,093.00	\$855,078.00	\$850,267.00
	948,093.00	855,078.00	850,267.00
Expenditures:			
Personal Services			
Annual Increment	447,667.84	854,168.62	850,266.48
Transfer of Funds	643.75	908.47	(3,832.53)
	<u>0.00</u>	<u>0.00</u>	<u>(50.48)</u>
	<u>448,311.59</u>	<u>855,077.09</u>	<u>846,383.47</u>
	499,781.41	0.91	3,883.53
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$499,781.41</u>	<u>\$ 0.91</u>	<u>\$ 3,883.53</u>

<u>Annual Increment - (0296-004)</u>	<u>Period Ended December 31, 2006</u>	<u>Year Ended June 30,</u>	
		<u>2006</u>	<u>2005</u>
Appropriations	\$ 29,700.00	\$ 28,100.00	\$ 28,100.00
	29,700.00	28,100.00	28,100.00
Expenditures:			
Annual Increment	<u>22,400.00</u>	<u>20,631.25</u>	<u>25,914.00</u>
	<u>22,400.00</u>	<u>20,631.25</u>	<u>25,914.00</u>
	7,300.00	7,468.75	2,186.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 7,300.00</u>	<u>\$ 7,468.75</u>	<u>\$ 2,186.00</u>

WEST VIRGINIA LIBRARY COMMISSION
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
GENERAL REVENUE

	Period Ended December 31, <u>2006</u>	Year Ended June 30, <u>2006</u> <u>2005</u>	
<u>Employee Benefits - (0296-010)</u>			
Appropriations	\$367,411.00	\$316,695.00	\$302,862.00
	<u>367,411.00</u>	<u>316,695.00</u>	<u>302,862.00</u>
Expenditures:			
Employee Benefits	<u>175,208.24</u>	<u>316,694.61</u>	<u>302,861.30</u>
	<u>175,208.24</u>	<u>316,694.61</u>	<u>302,861.30</u>
	192,202.76	0.39	0.70
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$192,202.76</u>	<u>\$ 0.39</u>	<u>\$ 0.70</u>

	Period Ended December 31, <u>2006</u>	Year Ended June 30, <u>2006</u> <u>2005</u>	
<u>EBA Contractual Services - (0296-044)</u>			
Appropriations	\$ 0.00	\$ 0.00	\$ 50,000.00
Expenditures:			
Current Expenses	<u>0.00</u>	<u>0.00</u>	<u>12,299.27</u>
	<u>0.00</u>	<u>0.00</u>	<u>12,299.27</u>
	0.00	0.00	37,700.73
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 37,700.73</u>

WEST VIRGINIA LIBRARY COMMISSION

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	Period Ended December 31, <u>2006</u>	Year Ended June 30, <u>2006</u> <u>2005</u>	
<u>Unclassified - (0296-099)</u>			
Appropriations	\$228,087.00	\$370,968.00	\$292,891.00
	228,087.00	370,968.00	292,891.00
Expenditures:			
Current Expenses	83,151.28	214,103.97	200,314.89
Repairs and Alterations	1,236.08	4,456.45	3,899.71
Other Disbursements	122.02	142,407.00	78,676.12
Transfer of Funds	<u>0.00</u>	<u>10,000.00</u>	<u>10,000.00</u>
	<u>84,509.38</u>	<u>370,967.42</u>	<u>292,890.72</u>
	143,577.62	0.58	0.28
Transmittals Paid After June 30	<u>0.00</u>	<u>137,849.07</u>	<u>55,138.02</u>
Balance	<u>\$143,577.62</u>	<u>\$137,849.65</u>	<u>\$ 55,138.30</u>

	Period Ended December 31, <u>2006</u>	Year Ended June 30, <u>2006</u> <u>2005</u>	
<u>Services to Blind and Handicapped - (0296-181)</u>			
Appropriations	\$161,576.00	\$ 38,456.00	\$ 38,456.00
Expenditures:			
Personal Services	9,544.50	0.00	0.00
Employee Benefits	3,315.68	0.00	0.00
Current Expenses	2,082.35	5,018.19	5,000.00
Assets	<u>30,289.46</u>	<u>33,437.81</u>	<u>33,456.00</u>
	<u>45,231.99</u>	<u>38,456.00</u>	<u>38,456.00</u>
	116,344.01	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>8,015.75</u>	<u>3,783.23</u>
Balance	<u>\$116,344.01</u>	<u>\$ 8,015.75</u>	<u>\$ 3,783.23</u>

WEST VIRGINIA LIBRARY COMMISSION

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Period Ended December 31, 2006</u>	<u>Year Ended June 30,</u>	
		<u>2006</u>	<u>2005</u>
Pay Equity Reserve - (0296-364)			
Appropriations	\$ 0.00	\$ 0.00	\$ 0.00
Expenditures:			
Personal Services	0.00	0.00	0.00
Employee Benefits	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	0.00	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

	<u>Period Ended December 31, 2006</u>	<u>Year Ended June 30,</u>	
		<u>2006</u>	<u>2005</u>
Brim Premium - (0296-913)			
Appropriations	\$29,772.00	\$30,294.00	\$31,822.00
Expenditures:			
Current Expenses	<u>14,886.00</u>	<u>28,226.00</u>	<u>31,822.00</u>
	14,886.00	28,226.00	31,822.00
	14,886.00	2,068.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$14,886.00</u>	<u>\$ 2,068.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA LIBRARY COMMISSION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCES
SPECIAL REVENUE

	<u>Period Ended</u> <u>December 31,</u>	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2006</u>	<u>2005</u>
<u>Video Production Services Fund - Fund 3550</u>			
Cash Receipts:			
Professional Fees	\$5,176.42	\$19,743.75	\$14,544.25
Gifts and Donations	<u>10.00</u>	<u>602.50</u>	<u>0.00</u>
	5,186.42	20,346.25	14,544.25
Disbursements:			
Current Expenses	3,442.84	13,322.18	9,977.99
Repairs and Alterations	0.00	8,091.86	800.57
Assets	<u>0.00</u>	<u>1,915.70</u>	<u>16,068.95</u>
	<u>3,442.84</u>	<u>23,329.74</u>	<u>26,847.51</u>
Cash Receipts Over/(Under) Disbursement	1,743.58	(2,983.49)	(12,303.26)
Beginning Balance	<u>6,265.17</u>	<u>9,248.66</u>	<u>21,551.92</u>
Ending Balance	<u><u>\$8,008.75</u></u>	<u><u>\$ 6,265.17</u></u>	<u><u>\$ 9,248.66</u></u>

WEST VIRGINIA LIBRARY COMMISSION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCES
SPECIAL REVENUE

	<u>Period Ended</u> <u>December 31,</u> <u>2006</u>	<u>Year Ended June 30,</u> <u>2006</u> <u>2005</u>	
<u>Alcohol and Drug Abuse Grant - Fund 3552</u>			
Cash Receipts:			
Non-Federal Grants	\$88,500.00	\$100,000.00	\$118,763.71
Disbursements:			
Personal Services	6,523.84	12,460.50	7,028.00
Employee Benefits	5,583.36	11,005.11	5,653.72
Current Expenses	56,891.05	67,722.28	74,919.82
Assets	0.00	0.00	333.00
Other Disbursements	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	<u>68,998.25</u>	<u>91,187.89</u>	<u>87,934.54</u>
Cash Receipts Disbursements	19,501.75	8,812.11	30,829.17
Beginning Balance	<u>43,229.57</u>	<u>34,417.46</u>	<u>3,588.29</u>
Ending Balance	<u>\$62,731.32</u>	<u>\$ 43,229.57</u>	<u>\$34,417.46</u>

WEST VIRGINIA LIBRARY COMMISSION
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
LOTTERY FUNDS

	<u>Period Ended</u> <u>December 31,</u> <u>2006</u>	<u>Year Ended June 30,</u>	
		<u>2006</u>	<u>2005</u>
<u>Services to Libraries - (3559-062)</u>			
Appropriations	\$ 0.00	\$ 0.00	\$500,000.00
Expenditures:			
Other Disbursements	0.00	0.00	500,000.00
	<u>0.00</u>	<u>0.00</u>	<u>500,000.00</u>
	0.00	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
 <u>Books and Films - (3559-179)</u>			
Appropriations	\$500,000.00	\$500,000.00	\$500,000.00
Expenditures:			
Current Expenses	35.00	0.00	0.00
Assets	181,468.85	500,000.00	500,000.00
	<u>181,468.85</u>	<u>500,000.00</u>	<u>500,000.00</u>
	318,531.15	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>42,344.13</u>	<u>18,322.86</u>
Balance	<u>\$318,531.15</u>	<u>\$ 42,344.13</u>	<u>\$ 18,322.86</u>

WEST VIRGINIA LIBRARY COMMISSION
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

LOTTERY FUNDS

	<u>Period Ended December 31, 2006</u>	<u>Year Ended June 30,</u>	
		<u>2006</u>	<u>2005</u>
<u>Services to State Institutions - (3559-180)</u>			
Appropriations	\$ 500,000.00	\$ 500,000.00	\$ 0.00
Expenditures:			
Other Disbursements	<u>237,139.85</u>	<u>500,000.00</u>	<u>0.00</u>
	262,860.15	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 262,860.15</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
 <u>Grants to Public Libraries - (3559-182)</u>			
Appropriations	\$7,348,884.00	\$7,348,884.00	\$7,348,884.00
Expenditures:			
Other Disbursements	<u>3,674,441.00</u>	<u>7,348,884.00</u>	<u>7,348,884.00</u>
	3,674,443.00	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$3,674,443.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA LIBRARY COMMISSION
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

LOTTERY FUNDS

	<u>Period Ended December 31, 2006</u>	<u>Year Ended June 30,</u>	
		<u>2006</u>	<u>2005</u>
<u>Digital Resources - (3559-309)</u>			
Appropriations	<u>\$219,992.00</u>	<u>\$219,992.00</u>	<u>\$219,992.00</u>
Expenditures:			
Assets	<u>45,312.50</u>	<u>219,992.00</u>	<u>219,992.00</u>
	<u>174,679.50</u>	<u>0.00</u>	<u>0.00</u>
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>161.00</u>
Balance	<u>\$174,679.50</u>	<u>\$ 0.00</u>	<u>\$ 161.00</u>
 <u>Libraries-Special Projects - (3559-625)</u>			
Appropriations	\$800,000.00	\$500,000.00	\$500,000.00
Expenditures:			
Other Disbursements	<u>142,530.00</u>	<u>500,000.00</u>	<u>500,000.00</u>
	<u>657,470.00</u>	<u>0.00</u>	<u>0.00</u>
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$657,470.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA LIBRARY COMMISSION

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

LOTTERY FUNDS

	Period Ended December 31, <u>2006</u>	<u>Year Ended June 30,</u> <u>2006</u> <u>2005</u>	
<u>Infomine Network - (3559-884)</u>			
Appropriations	\$1,152,984.00	\$1,135,884.00	\$1,126,769.00
Expenditures:			
Personal Services	206,805.81	399,889.31	379,997.50
Annual Increment	5,300.00	4,400.00	4,079.20
Employee Benefits	87,671.96	167,850.97	145,208.32
Current Expenses	108,363.06	401,525.37	550,888.02
Repairs and Alterations	0.00	0.00	193.00
Assets	15,135.00	0.00	9,957.61
Other Disbursements	0.00	159,300.00	33,587.35
Transfer of Funds	0.00	2,918.00	2,858.00
	<u>423,275.83</u>	<u>1,135,883.65</u>	<u>1,126,769.00</u>
	729,708.17	0.35	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>111,808.30</u>	<u>51,380.49</u>
Balance	<u>\$ 729,708.17</u>	<u>\$ 111,808.65</u>	<u>\$ 51,380.49</u>

WEST VIRGINIA LIBRARY COMMISSION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCES
SPECIAL REVENUE

	<u>Period Ended</u> <u>December 31,</u> <u>2006</u>	<u>Year Ended June 30,</u> <u>2006</u> <u>2005</u>	
<u>Gifts, Grants, and Donations – Fund 3562</u>			
Cash Receipts:			
Gifts and Donations	\$ 1,497.10	\$1,068,691.75	\$ 57,259.00
Non-Federal Grants	<u>0.00</u>	<u>135,000.00</u>	<u>281,250.00</u>
	1,497.10	1,203,691.75	338,509.00
Disbursements:			
Personal Services	5,992.39	42,374.25	40,014.50
Annual Increment	0.00	300.00	0.00
Employee Benefits	4,458.90	20,859.66	16,081.13
Current Expenses	96,792.78	155,336.00	298,121.98
Repairs and Alterations	0.00	4,407.97	0.00
Assets	0.00	39,326.60	5,319.41
Other Disbursements	<u>0.00</u>	<u>435,170.00</u>	<u>0.00</u>
	<u>107,244.07</u>	<u>697,774.48</u>	<u>359,537.02</u>
Cash Receipts (Under)/Over Disbursements	(105,746.97)	505,917.27	(21,028.02)
Beginning Balance	<u>1,002,331.96</u>	<u>496,414.69</u>	<u>517,442.71</u>
Ending Balance	<u>\$ 896,584.99</u>	<u>\$1,002,331.96</u>	<u>\$496,414.69</u>

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCES
SPECIAL REVENUE**

	<u>Period Ended December 31, 2006</u>	<u>Year Ended June 30,</u>	
		<u>2006</u>	<u>2005</u>
<u>Library Fire Insurance Settlement - Fund 3563</u>			
Cash Receipts:			
Gifts and Donations	\$ 0.00	\$112,500.00	\$0.00
Disbursements:			
Other Disbursements	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Cash Receipts Disbursements	0.00	112,500.00	0.00
Beginning Balance	<u>112,500.00</u>	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$112,500.00</u>	<u>\$112,500.00</u>	<u>\$0.00</u>

WEST VIRGINIA LIBRARY COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES

FEDERAL FUNDS

	<u>Period Ended December 31, 2006</u>	<u>Year Ended June 30,</u>	
<u>Unclassified (8720-096)</u>		<u>2006</u>	<u>2005</u>
Appropriations	\$1,939,018.00	\$1,939,018.00	\$1,932,637.00
Expenditures:			
Personal Services	75,006.00	215,684.94	214,074.99
Annual Increment	2,250.00	4,925.00	4,000.00
Employee Benefits	23,542.74	71,024.35	68,603.03
Current Expenses	135,254.48	262,381.49	488,555.64
Assets	325,748.76	188,601.60	186,147.92
Other Disbursements	<u>35,328.60</u>	<u>16,000.00</u>	<u>522,955.55</u>
	<u>597,130.58</u>	<u>758,617.38</u>	<u>1,484,337.13</u>
	1,341,887.42	1,180,400.62	448,299.87
Transmittals Paid After June 30	<u>0.00</u>	<u>53,452.71</u>	<u>1,330.64</u>
Balance	<u>\$1,341,887.42</u>	<u>\$1,233,853.33</u>	<u>\$ 449,630.51</u>

WEST VIRGINIA LIBRARY COMMISSIONS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CASH CONTROL - ACCOUNT 8720
CONSOLIDATED FEDERAL FUNDS GENERAL ADMINISTRATIVE FUND

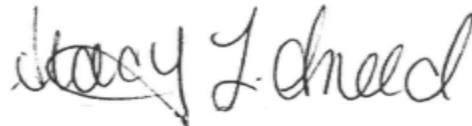
	<u>Period Ended</u> <u>December 31,</u> <u>2006</u>	<u>Year Ended June 30,</u> <u>2006</u> <u>2005</u>	
Beginning Balance:			
State Treasury	\$294,906.23	\$ 8,128.54	\$ 136,189.03
Cash Receipts:			
Appalachian Regional Commission	0.00	0.00	0.00
Institute of Museum Services	<u>449,667.00</u>	<u>993,273.00</u>	<u>1,354,946.00</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$744,573.23</u>	<u>\$1,001,401.54</u>	<u>\$1,491,135.03</u>
Disbursements:			
Personal Services	\$ 75,006.00	\$ 215,684.94	\$ 214,074.99
Annual Increment	2,250.00	4,925.00	4,000.00
Employee Benefits	23,542.74	71,024.35	68,603.03
Current Expenses	135,254.48	262,381.49	488,555.64
Assets	325,748.76	188,601.60	186,147.92
Other Disbursements	<u>35,328.60</u>	<u>16,000.00</u>	<u>522,955.55</u>
	597,130.58	758,617.38	1,484,337.13
Add Disbursements Paid July 1-31 Beginning and (Less) Disbursements Paid July 1-31 Ending:			
Personal Services	0.00	0.00	0.00
(Personal Services)	0.00	0.00	0.00
Annual Increment	0.00	0.00	0.00
(Annual Increment)	0.00	0.00	0.00
Employee Benefits	0.00	0.00	0.00
(Employee Benefits)	0.00	0.00	0.00
Current Expenses	53,452.71	1,330.64	0.00
(Current Expenses)	0.00	(53,452.71)	(1,330.64)
Repairs and Alterations	0.00	0.00	0.00
(Repairs and Alterations)	0.00	0.00	0.00
Assets	0.00	0.00	0.00
(Assets)	0.00	0.00	0.00
Other Disbursements	0.00	0.00	0.00
(Other Disbursements)	0.00	0.00	0.00
Transfer of Funds	0.00	0.00	0.00
(Transfer of Funds)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	<u>53,452.71</u>	<u>(52,122.07)</u>	<u>(1,330.64)</u>
	650,583.29	706,495.31	1,483,006.49
Ending Balance:			
State Treasury	<u>93,989.94</u>	<u>294,906.23</u>	<u>8,128.54</u>
TOTAL CASH ACCOUNTED FOR	<u>\$744,573.23</u>	<u>\$1,001,401.54</u>	<u>\$1,491,135.03</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

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

Given under my hand this 29th day of July, 2008.

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

Stacy L. Sneed, CPA, 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 Library Commission; Governor; Attorney General; State Auditor; and, Director of Finance Division, Department of Administration.