

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

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**Memorandum**

**To:** Joint Committee on Government and Finance  
Post Audits Subcommittee Members

**From:** Aaron Allred, Legislative Auditor  
Stacy L. Sneed, CPA, CICA, Director, *ds*  
Legislative Post Audit Division

**Date:** July 15, 2009

**Subject:** Unauthorized Local Bank Account during the  
period of July 1, 2006 – June 30, 2008

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**CONDITION:**

During our preliminary, planning, and review phase, we noted four issues with an unauthorized local bank account. First, we noted a local bank account in the custody of the Director of Residence Life and in the name of the Vice President Student Affairs. This account was not authorized or approved by the West Virginia State Treasurer's Office. Second, we noted Fairmont State University (FSU) is charging students a social fee that has not been approved by FSU's Board of Governors (BOG). According to the Fairmont State and Community & Technical College Catalog 2006-2007 the social fee was increased from \$11.00 to \$18.00. According to the Fairmont State and Community & Technical College Catalog 2008-2009 the fee increased again from \$18.00 to \$20.00. Neither the fee nor fee increases were authorized or approved by Fairmont State University's Board of Governors. We noted total deposits of approximately \$17,000.00 into the Mon Valley Bank (MVB) located in Fairmont, West Virginia during Fiscal Year (FY) 2008. Monthly balances varied between \$15,141.21 and \$1,423.78 during our audit period. The average monthly balances for FY 2007 and FY 2008 were \$9,995.33 and \$6,060.25, respectively. Fairmont State and Community & Technical College Catalog 2005-2006 states; "The fee is to be paid when a student moves into a residence hall. It covers the cost of the local newspaper, TV Guide, television cable, Christmas party, and various other expenses of the hall \$11.00." Third, we noted approximately \$2,877.56 or 17% of FY 2008's total deposits were expended for staff meals and staff only activities during FY 2008. Fourth, we noted FSU did not perform bank reconciliations for the aforementioned account.

**CRITERION:**

Chapter 12, Article 1, Section 7 of the West Virginia Code, states in part,

“...Only the treasurer may enter into contracts or agreements with financial institutions for banking goods or services required by spending units....”

Chapter 18B, Article 10, Section 1(e) of the West Virginia Code, states,

“The schedule of all tuition and fees, and any changes in the schedule, shall be entered in the minutes of the meeting of the appropriate governing board and the board shall file with the commission or council, or both, as appropriate, and the Legislative Auditor a certified copy of the schedule and changes.”

Chapter 5A, Article 8, Section 9 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 designated to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities....”

**CAUSE:**

FSU's Vice President of Administrative and Fiscal Affairs stated that he was not aware of the local bank account nor was he aware of the type of expenditures from the local bank account. In addition, the current Director of Student Affairs stated that the local bank account was previously in the name of a former employee and the current Director of Student Affairs assumed the responsibility of the local bank account. Also, the Director of Residence Life, which is the custodian of the account, stated that he was unaware that account reconciliations needed to be performed monthly for the local bank account. The Vice President of Administrative and Fiscal Affairs stated the local bank account was closed on July 10, 2009 and the remaining balance of \$2,759.61 in this account was deposited into the state fund 4491 titled Auxiliary and Auxiliary Capital Fees where Housing, Student Union, Athletic, and other auxiliary fee revenue are deposited. In addition he stated FSU has no plans to collect this fee in the future.

**EFFECT:**

By not having the local bank account approved by the State Treasurer's Office, the revenues generated from the social fee collections were not reported as revenues nor were the expenses from the local bank account recorded as expenses in FSU's Financial Statements. Without proper oversight, expenditures are being made for non-student related activities in non-compliance with the purpose of the fee. Since bank reconciliations were not performed timely, we are unable to determine if monies collected were deposited in accordance with WV Code. In addition, without the BOG's approval for the social fee or the fee increases, students of FSU were charged an unauthorized and unapproved fee.

**RECOMMENDATION:**

We recommend that FSU close the local bank account and create an authorized and approved special revenue account in accordance with Chapter 12, Article 1, Section 7 of the West Virginia Code. In addition, we recommend FSU comply with Chapter 18B, Article 10, Section 1(e) of the West Virginia Code and have the fee approved by FSU's Board of Governor's or cease collecting the fee. Also, FSU should comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code by creating a purpose for this special revenue account, guidelines for the collection and disposition of the social fees, and procedures for the year-end balance if the fee is collected in the future.