

LEGISLATIVE AUDIT REPORT
BLUEFIELD STATE COLLEGE

FOR THE PERIOD JULY 1, 2005 - JUNE 30, 2007



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POST AUDIT DIVISION



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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May 28, 2009

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 accounts of Bluefield State College for the period of July 1, 2005 through June 30, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Our audit disclosed certain findings which are detailed in this report. The Spending Unit's management has responded to the audit findings; we have included the responses following each finding.

Respectfully submitted,

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

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

SLS/gkc

BLUEFIELD STATE COLLEGE

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Finding 2

Cash Receipts

- Due to significant weaknesses in internal controls over cash collection points, we were unable to determine if all moneys received at BSC campuses were deposited and were unable to audit cash receipts deposited, totaling approximately \$3.16 million.

Auditor's Recommendation

We recommend BSC develop and implement policies and procedures to ensure internal controls are in place at both BSC and New River campus cash collection points in order to prevent and detect errors or fraud. Further, we recommend BSC comply with Chapter 5A, Article 8, Section 9 and Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, and strengthen internal controls over the receipt of funds as recommended in the previously issued Post Audit Special Report of BSC Internal Controls Over Imprest Funds and Cash Collection Points.

Spending Unit's Response

The College concurs and will comply with our recommendation.

See pages 37 – 40.

Finding 3

Accounts Receivable

- BSC is extending financial credit to students in noncompliance with the West Virginia Constitution, West Virginia Code and the BSC Board of Governors Policies.
- BSC is not attempting collection of outstanding accounts receivable balances. As of June 12, 2009, BSC's and New River's (which BSC administers) outstanding tuition and fees accounts receivable totaled \$211,178.97 and \$157,413.86, respectively, through summer 2008.
- BSC compensated outstanding book voucher balances from other BSC funding and, therefore, did not reflect these as amounts as outstanding accounts receivable on BSC's financial statements.

Auditor's Recommendation

We recommend BSC operate on a strictly cash basis with all payments and obligations being collected prior to the start of classes, except as provided in the West Virginia Code and Board of Governors Policy. Also, BSC develop and implement a policy governing the collections of outstanding accounts receivables. Additionally, we recommend BSC discontinue using other funding sources to cover book vouchers not paid by students and BSC management should consider whether issuing book vouchers is cost beneficial for the College. Further, BSC should implement an accounts receivable module in banner.

Finding 10**Bookstore and Supply Room Inventory Finding**

- We were unable to audit the inventory of the Bookstores and Supply Room because a perpetual inventory record was not kept during our period of audit.

Auditor's Recommendation

We recommend BSC comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code and implement a perpetual inventory system.

Spending Unit's Response

The College concurs and will comply with our recommendation.

See page 58.

Finding 11**Auxiliary Scholarships and Tuition Waivers**

- We were unable to audit auxiliary scholarships and tuition waivers issued during Fall 2005 and Spring 2006 semesters totaling \$85,719.00 and \$289,260.50, respectively. We tested auxiliary scholarships and tuition waivers issued during FY 2007 and noted seven of 15 auxiliary scholarship transactions tested, totaling \$4,200.00 and 17 of 24 tuition waiver transactions tested, totaling \$14,011.00, did not meet the eligibility criteria set out in the BSC Policy. We further noted there was lack of documentation supporting if the eligibility requirements were waived.

Auditor's Recommendation

We recommend BSC implement proper management oversight to ensure auxiliary scholarships and tuition waivers are issued in compliance with State statute and internal policies. Also, we recommend BSC keep original documentation to support financial aid disbursed to students in accordance with Chapter 5A, Article 8, Section 9 of the West Virginia Code and the NASFAA rules and regulations.

Spending Unit's Response

The College concurs and will comply with our recommendation.

See pages 59 – 62.

Finding 12**Fuel Purchases**

- We noted fuel credit card purchases totaling \$6,927.62 were made when cards were logged out without State vehicles being assigned to the respective employees; therefore, we were unable to determine if the purchases of fuel were for legitimate State expenditures. We also noted fuel credit card purchases totaling \$602.76 made during times when the fuel cards were not logged

Spending Unit's Response

The College concurs and will comply with our recommendation.

See pages 83 – 85.

Finding 21

Financial Aid

- During our audit, we noted one student was over-awarded \$3,785.00 in financial aid and we were unable to determine if five students received financial aid due them totaling \$12,299.00. We further noted BSC's accounting of financial aid disbursements is complex. Also, we noted if a balance is due BSC for tuition and fees, the financial aid checks are kept in the safe until the Business Office staff have time to enter the transaction in the cash register. We noted fifteen students' financial aid checks totaling \$17,521.00 were not deposited within 24 hours of receipt.

Auditor's Recommendation

We recommend BSC comply with the Code of Federal Regulations and State Statute and implement proper management oversight over the awarding and issuance of financial aid. Further, we recommend BSC discontinue using outside bank accounts to account for financial aid; rather BSC should deposit all financial aid moneys within 24 hours of receipt in the proper BSC fund and apply the payments to the student accounts and issue one refund check to the student.

Spending Unit's Response

The College concurs and will comply with our recommendation.

See pages 86 – 88.

Finding 22

Late Fee Finding

- During our audit, BSC did not assess the proper late fee as indicated in the Board of Governors Policy.

Auditor's Recommendation

We recommend BSC comply with Board of Governors Policy No. 7 and assess the correct amount of late fees due to BSC for late registrants.

Spending Unit's Response

The College concurs and will comply with our recommendation.

See page 89.

Finding 23

Untimely Reconciliation of FIMS to Banner

- BSC's Accounting Department was not timely reconciling the State accounting system (FIMS) to BSC's internal accounting system (Banner).

Auditor's Recommendation

We recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and perform reconciliations between FIMS transactions and Banner transactions in a more timely manner.

Spending Unit's Response

The College concurs and will comply with our recommendation.

See page 90.

Finding 24

Unable to Audit Book Vouchers, Gift Certificates, and Coupons Redeemed at Bookstores

- We were unable to audit book vouchers, gift certificates and coupons accepted as payment methods by the BSC Bookstores due to the significant lack of internal controls over these payment methods during our audit period.

Auditor's Recommendation

We recommend BSC comply with Chapter 5A, Article 8, Section 9 (b) of the West Virginia Code by pre-numbering book vouchers and gift certificates. We also recommend BSC require the Business Office perform a reconciliation of book vouchers issued to book vouchers redeemed. Additionally, we recommend BSC discontinue the issuance of coupons to students.

Spending Unit's Response

The College concurs and will comply with our recommendation.

See pages 91 - 93.

Finding 25

Student Health Center Inventory of Medications

- During our audit period, the Student Health Center did not keep a perpetual inventory of medicine. Thus, we were unable to determine if all medications purchased were used for the benefit of the State.

Finding 28

Chartered Bus Services

- We became aware the BSC baseball coach was the President of Team Bus, Inc. used by BSC to charter buses for baseball and softball events. The Purchasing Director was not involved in the bidding process; rather, the Athletic Director and the Athletic Secretary were in charge of the bidding process.

Auditor's Recommendation

We recommend BSC comply with the Board of Governors Policy 29 by strengthening internal controls and requiring the Purchasing Director to be in charge of all bidding of purchases.

Spending Unit's Response

The College concurs and will comply with our recommendation.

See pages 101 and 102.

Finding 29

Single Day Travel Meal Reimbursement Not Reported As Taxable Income

- During our audit period, BSC did not report employee meal reimbursement for single day travel as taxable income on the employees' respective W-2.

Auditor's Recommendation

We recommend BSC comply with Publication 15, 463 and 17 of the IRS and report employee meal reimbursement for single day travel as taxable income on employees' respective W-2. We further recommend BSC review the expenditures to determine whether amended W2's or 1099's should be issued.

Spending Unit's Response

The College concurs and has complied with our recommendation.

See pages 103 and 104.

Finding 30

Food Tax

- During our audit period, the BSC Bookstores were not assessing the applicable food tax rate in accordance with State statute.

Auditor's Recommendation

We recommend BSC continue to comply with Chapter 11, Article 13, Section 3a of the West Virginia Code and charge the applicable tax on sales of food.

Spending Unit's Response

The College concurs and has complied with our recommendation.

See page 105.

Finding 31

IRS Penalty

- BSC paid interest to the IRS totaling \$76.99 because quarterly taxes were not paid timely.

Auditor's Recommendation

We recommend BSC comply with IRS Publication 15, Section 11 (Circular E) by paying taxes timely.

Spending Unit's Response

The College concurs and will comply with our recommendation.

See page 106.

BLUEFIELD STATE COLLEGE

INTRODUCTION

POST AUDIT AUTHORITY

This is the report on the post audit of Bluefield State College. The audit was conducted pursuant to Chapter 4, Article 2 of the West Virginia Code, which requires the Legislative Auditor to “make post audits of the revenues and expenditures of the spending units of the state government, at least once every two years, if practicable, to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit, to ascertain facts and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the state and of the organization and functions of the state and its spending units.”

BACKGROUND

Bluefield State College was established as a black teachers college by an Act of the West Virginia Legislature in 1895 and was integrated after 1954. By the 1960's, the College had a comprehensive four year program of teacher education, arts and sciences, and engineering technology. Gradually a variety of two-year technical programs evolved in response to local needs.

In 1975, the Board of Regents transferred administrative control of Greenbrier Center of West Virginia University to Bluefield State College. Also in 1975, the Regents gave approval for Bluefield State College to offer courses, both upper and lower divisions, in Beckley, West Virginia in cooperation with Beckley College, a private two-year institution. In 2003, the Board of Regents transferred administrative control of the Summersville Center of Glenville State College to Bluefield State College. Also, upon the passing of Senate Bill 448, the New River Community and Technical College (New River) under Bluefield State College was independently accredited in July 2005; however, New River remains administratively linked to Bluefield State College.

Bluefield State College has emerged as a four-year state supported commuter college serving southeastern West Virginia. The College offers baccalaureate and associate degrees. Instructional programs are offered in engineering technologies, business, teacher education, arts and sciences, nursing and health science professions, and a variety of career fields. Students may also complete the non-traditional Regents Bachelor of Arts degree through Bluefield State College. The College works closely with area two-year colleges in developing two-plus-two degree opportunities for selected baccalaureate level programs whereby the two years completed for an associate degree are applicable toward the baccalaureate degree. Bluefield State College offers a wide variety of courses off campus and through distance learning.

An organization chart or listing of personnel of the spending unit is on the following page.

BLUEFIELD STATE COLLEGE

STAFF
JUNE 30, 2007

Administration

Dr. Albert L. Walker, Ed.D.President
Donald Smith, Ed.D. Vice President for Academic Affairs
John C. Cardwell, M.A. Vice President for Student Affairs
Shelia Johnson, B.S..... Vice President for Financial and Administrative Affairs
James A. Nelson, B.S. Assistant to the President/Director of Institutional and Media Relations
Felica Wooten Blanks, Ph.D... ..Executive Director of Institutional Development and Advancement
Tracey Anderson, Ed.D..... Director of Institutional Research and Assessment
Thomas E. Blevins, Ed.D.Dean of Technology and Virtual College

AUDIT SCOPE

We have audited Bluefield State College for the period of July 1, 2005 through June 30, 2007. Our audit scope included a review of internal control and compliance with laws, regulations and provisions of contracts or grant agreements. The audit was conducted in accordance with auditing standards generally accepted in the United States. Our audit included expenditures accounted for in the College's General Fund, Special Revenue Funds and Federal Fund.

OBJECTIVES and METHODOLOGIES

The objectives of our post audit were to audit the revenues and expenditures of the spending unit, to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit, that we find, to ascertain facts and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the state and of the organization and functions of the state and its spending units. We were to determine whether expenditure and revenue transactions were related to the spending unit's programs, were reasonable, and were recorded properly in the accounting systems. Additionally, we were to examine the spending unit's records and internal control over transactions, and to evaluate its compliance with applicable State laws, rules and regulations.

In preparation for our testing, we studied legislation, applicable WV Code sections, applicable rules and regulations, and policies of the spending unit. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observations of the spending unit's operations, and through inspections of documents and records. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Additionally, we reviewed the budget, studied financial trends, and interviewed spending unit personnel to obtain an understanding of the programs and the internal controls. In planning and conducting our post audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk.

We did not audit the spending unit's federal financial assistance programs for compliance with federal laws and regulations because the State of West Virginia engages an independent accounting firm to annually audit such programs administered by State agencies.

A nonstatistical sampling approach was used. Our samples of transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Transactions were selected for testing using professional judgment.

This communication is intended solely for the information and use of the Post Audit Subcommittee, the members of the WV Legislature, management of the spending unit and others within the spending unit.

However, once released by the Post Audit Subcommittee, this report is a matter of public record and its distribution is not limited.

Bluefield State College's written response to the significant deficiencies and material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the College and, accordingly, we express no opinion on it.

Bluefield State College's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Post Audit Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

CONCLUSIONS

BSC did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations. Specifically, we noted a significant lack of management oversight over areas, including but not limited to: equipment inventory; cash receipts; accounts receivable; time records; purchasing card, cash disbursement and personnel expenditures; financial aid; scholarships; and tuition waivers. Such significant weaknesses in internal controls greatly increase the risk of loss, theft and/or fraud to occur and go unnoticed by management. These weaknesses in internal controls merit management's immediate attention.

As a result of the weaknesses in internal control and lack of management oversight, among other things, we noted a material misstatement of equipment inventory; we were unable to determine all moneys received by personnel were deposited and we were unable to audit approximately \$3.16 million of cash receipts deposited to BSC funds; and we were unable to determine personnel expenditures paid to non-exempt employees were for services rendered. Additionally, our scope was limited with respect to the library, bookstore and supply room inventory and whether the inventories were accurately reflected on BSC's financial statements because either a perpetual inventory was not kept or an inventory was not performed by BSC.

This report includes findings which describe significant deficiencies in the design or operation of internal controls that could adversely affect the spending unit's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules or regulations.

EXIT CONFERENCE

We discussed this report with management of the spending unit on July 2, 2009. All findings and recommendations were reviewed and discussed. Management's response has been included at the end of each finding.

BLUEFIELD STATE COLLEGE

**June 30, 2007
FUND LISTING**

We have completed a post audit of Bluefield State College. The examination covers the period of July 1, 2005 through June 30, 2007.

GENERAL REVENUE ACCOUNT

The following account was maintained by the Office of Bluefield State College:

<u>Fund Number</u>	<u>Fund Name</u>
0354.	General Administration Fund

SPECIAL REVENUE ACCOUNTS

Bluefield State College 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>Fund Number</u>	<u>Fund Name</u>
4360.	Payroll Clearing Fund
4361.	Revenue Clearing Fund
4371.	Tuition & Required E&G Fees Fund
4372.	Auxiliary & Auxiliary Capital Fees Fund
4373.	Education & General Capital Fees Fund
4375.	Gifts, Grants & Donations (Non-Federal) Fund

Payroll Clearing Fund – Fund 4360

This fund is a special revenue fund used for the clearing of payroll.

Revenue Clearing Fund – Fund 4361

This fund is a special revenue fund used as a clearing fund for local collections and earned interest transferred to other line items.

Tuition & Required E & G Fees Fund – Fund 4371

This fund consists of tuition, fees and investment income to finance faculty promotion and salaries.

Auxiliary & Auxiliary Capital Fees Fund – Fund 4372

This fund consists of tuition, fees and investment income to finance auxiliary capital fees.

Education & General Capital Fees Fund – Fund 4373

This fund consists of tuition, fees and investment income to finance capital building and land improvements.

Gifts, Grants & Donations (Non-Federal) Fund 4375

This fund consists of gifts, grants and donations used as requested by the bequestor.

FEDERAL ACCOUNT

Bluefield State College maintained the following account which was funded from Federal sources:

<u>Fund Number</u>	<u>Fund Name</u>
8767	Federal Grants/Contracts Fund

SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES IN INTERNAL CONTROL AND REPORTABLE COMPLIANCE AND OTHER MATTERS FINDINGS

In planning and performing our audit of Bluefield State College, in accordance with auditing standards generally accepted in the United States of America, we considered the College's internal control over financial reporting (internal control) as a basis for designing our auditing procedures, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies to be material weaknesses in findings 1 and 2.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies to be significant deficiencies in findings 4, 5, 6, 8, 9, 10, 11, 12, 14, 16, 17, 18, 20, 21, 23 and 24.

Spending Unit's Response

Bluefield State College is committed to improving services and making needed changes as recommended by the West Virginia Post Audit Division Auditors. With the complete separation of New River Community and Technical College (NRCTC) from Bluefield State College (BSC) and the completion of a two year audit of fiscal years 2006 and 2007 (beginning in September 2007), staff will have more time to devote to complete implementation of the Banner Finance system and the Banner Student Accounts Receivable system which will allow better internal controls of many of the items cited in the audit report. Since the inception of the Banner Finance system, employees have been devoted to gaining separate accreditation for NRCTC, separating the student data, separating NRCTC's financial data including but not limited to separate state processing, separation of assets and liabilities, separate Banner chart of accounts, separate student financial aid programs, separate payroll and benefit packages, and more recently, training of NRCTC staff and separation of the Banner database. Time has been limited to reviewing, improving and implementing all processes in the Banner system; however, the College will review all of the Legislative Auditors recommendations and look forward to improving its processes and services for the State of West Virginia, its taxpayers and the constituents it serves.

COMPLIANCE MATTERS

Chapter 18B of the West Virginia Code generally governs Higher Education. We tested applicable sections of the above plus other applicable chapters, articles and sections of the West Virginia Code, as well as rules and regulations as they pertain to fiscal matters. Our findings are discussed on the following pages of this report.

BLUEFIELD STATE COLLEGE

July 1, 2005 – June 30, 2007

FINDINGS

Finding 1

Equipment Inventory

Condition:

During our audit period, we noted a significant lack of management oversight over BSC's equipment inventory which resulted in various significant weaknesses in internal control over inventory and a material misstatement of inventory.

Misstatement of Equipment Inventory

During our audit period, BSC maintained equipment inventory in an internal system (the system). However, BSC did not inventory items over \$1,000.00 in non-compliance with the Board of Governors Policy No. 29.

As of June 30, 2007, BSC's system reflected equipment inventory with a total acquisition cost of \$6,298,884.45. We performed a review of the equipment inventory listed on the system and noted 498 items with an acquisition cost of \$1,330,622.42 or 21.12% did not have a location indicated in the respective field in the system. This indicates a significant lack of management oversight over inventory.

Further, we asked the Purchasing Director for the location of these items and the results are detailed in the table below.

<u>Status of Items</u>	<u>Number of Items</u>	<u>Total Acquisition Cost of Items</u>
Located	294	\$ 809,810.26
Un-located*	170	358,668.08
Retired after our audit period	34	162,144.08
Total	498	\$1,330,622.42

**Includes, but is not limited to, 101 computers; 12 printers/scanners; 12 monitors/projectors; two vehicles; one piece of workout equipment; six pieces of educational equipment.*

As indicated in the above table, BSC personnel was unable to locate 170 items with a total acquisition cost of \$358,668.08. The Purchasing Director told us it is a verbal policy when computers are not located during the annual physical inventory to delete the room number from the inventory system. He also told us students can check out laptop computers and computers move around too much for him to know the accurate location.

We performed audit testing on the remaining inventory items with a location reflected in the system or for which the location was provided to us by the Purchasing Director. We selected 50 items with a total acquisition cost of \$339,810.94 from the inventory listing for observation and noted four of 50 items, all vehicles, with a total acquisition cost of \$37,420.66, were retired prior to our audit period and inaccurately reported as active on the system. Also, the Purchasing Director was unable to locate nine of the 50 items, with a total acquisition cost of \$63,015.87, as follows:

<u>TAG #</u>	<u>ITEM DESCRIPTION</u>	<u>ACQUISITION DATE</u>	<u>ACQUISITIONC OST</u>
31355	ELECTRONIC CLASSROOM	7/1/98	\$47,840.00
31618	GATEWAY LAPTOP COMPUTER	1/24/00	2,526.00
32906	COMPUTER, GATEWAY	Unable to Determine	1,000.00
33562	COMPUTER, DELL	10/29/04	1,094.00
33701	DELL LAPTOP	11/2/05	2,243.16
33638	COMPUTER, LAPTOP	Unable to Determine	1,089.99
33854	DELL LAPTOP	2/16/06	2,374.72
23156	SONY TV 50" SCREEN / RCA	1/1/1982	3,725.00
27866	HOLIDAY GRILL FLAME-KING W/ACC	9/9/1992	<u>1,123.00</u>
Total			<u>\$63,015.87</u>

Internal Control Weaknesses over Equipment Inventory

During fieldwork, it became apparent BSC had significant internal control weaknesses over equipment inventory which may have contributed to the aforementioned un-located equipment inventory items and possible theft and/or loss of equipment inventory not discovered during our audit. These are detailed in the following paragraphs.

- Only items with an acquisition cost of \$5,000.00 or greater and other items deemed necessary by the Purchasing Director were placed on BSC’s inventory system. The Purchasing Director told us that during our audit period, non-inventoried items in non-working condition were set out with the dumpster and picked up on a regular trash run. There is no record kept of the items disposed of in the dumpster. Further, employees were able to request permission to dispose of items by phone or e-mail and dispose of the items themselves. ***This internal control weakness increases the potential for theft by an***

employee simply ordering, receiving and using an item for personal use and saying the item was placed in the dumpster. Also, there is no safeguard to keep an individual from taking an item out of the dumpster.

- BSC does not have a central receiving department in non-compliance with State statute. ***This internal control weakness increases the potential for theft by an employee purchasing the item, receiving the item and using the item for personal use. Further, the item would not be placed on the inventory system unless the employee told the Purchasing Director of the purchase.***
- Students performed the physical inventory and updated the status of the item(s) in the internal inventory system. There were no safeguards in place to keep students from entering a “surplus status” and “surplus date” in the inventory system; and thus taking items off of the inventory. Further, there was no review of items retired in the inventory system by a supervisory authority. ***This internal control weakness increases the potential for theft by a student taking an item when performing the inventory of the item and changing the item status in the inventory system to retired. Further, the theft would go un-noticed due to lack of review of items retired in the inventory system by a supervisory authority.***
- The Purchasing Director was unable to provide us with documentation to support the fiscal year 2006 physical inventory was performed. He told us once inventoried information is entered into the database by the students that the worksheets are discarded. Further, we noted no signed documentation for fiscal years 2007 and 2006 to certify inventory was complete and accurate. Also, the Purchasing Director told us BSC does not forward a copy of the completed inventory listing to the West Virginia Higher Education Policy Commission (WVHEPC) in non-compliance with BSC’s Board of Governor Policy No. 29. ***The Purchasing Director is not certifying the inventory listing is complete and accurate.***
- During fieldwork, we observed computer equipment (i.e., monitors) waiting to be retired which were stored in an unsecured location outside an outdoor storage shed. There was no fence or other barrier to limit access to these items from the public. ***This internal control weakness increases the potential for theft by the public since there is no safeguard of these items.***

- During the testing of retired inventory items, we noted three of seven vehicles indicated as retired in the system were still in the name of BSC. These instances are detailed in the table below.

<u>Vehicle Description</u>	<u>Tag #</u>	<u>Acquisition Date</u>	<u>Retirement Date</u>	<u>Acquisition Cost</u>
1992 GMC Passenger Van	27567	02/28/1992	09/09/2006	\$18,027.00
2007 Chevrolet Malibu	33961	Unable to Determine	06/07/2007	16,882.00
1986 GMC 1½ Ton Truck	24710	02/01/1985	09/06/2006	<u>18,380.00</u>
Total				<u>\$53,289.00</u>

The Purchasing Director was unable to tell us why these vehicles were still titled in the name of BSC.

- The Director of Public Safety provided us with Property Theft Reports documenting the following theft of equipment inventory.

<u>Date of Report</u>	<u>Item Description</u>	<u>Tag Number</u>	<u>Acquisition Cost</u>
November 14, 2005	IBM Laptop Computer	32373	\$1,428.00
May 12, 2006	Toshiba wireless laptop Computer DVD/CD-RW Combo	33646	859.99
August 28, 2007	Smart board*	Unable to Determine	Unable to Determine
January 22, 2009	Dell Laptop Computer	33854	<u>2,374.72</u>
Total			<u>\$4,662.71</u>
*The report indicated a video tape revealed the smart board was "...removed 8-17-07 at 8:07 a.m. and thrown on trash truck... " (Emphasis Added).			

The Director of Public Safety told us he does not provide any Property Theft Reports to management or the Purchasing Director of BSC.

Criteria:

Chapter 12, Article 3, Section 10(f) of the West Virginia Code, states in part,

“...The state officer or employee acting as head of each spending unit is responsible for the completion and timely submission of the receiving reports, **which shall be prepared at the original point of receipt of the commodities at the spending unit by employees designated by the head of the spending unit to receive the commodities and prepare the receiving reports....” (Emphasis Added)**

Legislative Rule Title 133, Series 30, Section 7.2, states in part,

“...Responsibility for ensuring institutional compliance with the West Virginia Code and this rule shall rest with and be **the responsibility of the chief procurement officer....**

13.2.3 The chief procurement officer shall conduct an annual audit of the institution's inventory....

14.5 Under no circumstances shall any of the property described in this section be sold, transferred or conveyed to any private person, firm or corporation other than at public auction or by sealed bid or as otherwise provided in West Virginia Code §18B-5-7....” **(Emphasis Added).**

The Bluefield State College Board of Governors Policy No. 29, states in part,

“13.2.1 The chief procurement officer shall inventory all equipment and furnishings that have a value at the time of purchase or acquisition of \$1,000 or more per unit. **Such inventory shall be kept current at all times.** An institution may elect to equipment inventory and furnishings with a value less than \$1,000 per unit....

13.2.2 The chief procurement officer shall set up and maintain the institution's inventory management system on the basis of generally accepted accounting standards....

13.2.3 The chief procurement officer shall conduct an annual audit of the institution's inventory. On the fifteenth day of July of each year, the president shall submit the institution's inventory report to the Vice Chancellor for Administration for the preceding fiscal year....” **(Emphasis Added).**

The Bluefield State College Board of Governors Policy No. 34, states in part,

“2.2 The Chief Procurement Officer (CPO) or Vice President of Financial and Administrative Affairs shall identify and inventory the institution's

obsolete, surplus and unusable materials, supplies and equipment and shall store these materials, supplies and equipment until such time as they may be disposed of in a manner consistent with federal and/or state law and the rules, regulations and procedures of the Governing Board....

3.1 Bluefield State College may dispose of obsolete, surplus and unusable materials, supplies and equipment in one or more of the following manners:

- a. Trade in on replacement materials, supplies and equipment...
- b. Sale to the general public by sealed bid or at public auction;
- c. Transfer to municipal, county, state and federal agencies and institutions.
- d. Joining with Marshall University, West Virginia University, or other state higher education institutions at their surplus auction or sale.
- e. Utilizing the Surplus Property Division of the Department of Administration.
- f. Landfill or Scrap: Items having no value may be sent to the landfill or area scrap yard at the discretion of the CPO....”

Bluefield State College Purchases System Narrative, states in part,

“...18.2.2 Employees and/or students are not permitted to remove any equipment from state property. In the rare event that something is approved to be used off campus, the information is to be filed with the Inventory control office prior to removal from state property. Items include but are not limited to: Computers, cameras, books, etc....”

Cause: Significant internal control weaknesses and lack of management oversight over equipment inventory as detailed in the condition of this finding.

Effect: BSC’s inventory was materially misstated; however, we were unable to quantify the material misstatement of BSC’s inventory due to the significant weaknesses in internal control and lack of management oversight over inventory. Also, the risk of loss, theft or fraud of equipment inventory is greatly increased. Specifically, during our audit of equipment inventory BSC was unable to locate 179 items with a total acquisition cost of over \$420,000. The possibility exists that BSC may be unable to locate other inventory items. We noted as of May 28, 2009, BSC’s inventory process had not changed and BSC continued to have the noted internal control weaknesses and lack of management oversight.

Recommendation: We recommend BSC designate a central receiving area, segregated from the purchasing function, for receiving of commodities and preparing of receiving reports in accordance with Chapter 12, Article 3, Section 10(f) of the West Virginia Code. Further, the person receiving the items

should forward the item to the Purchasing Division to attach a tag and add the item to the inventory system, if applicable. The item should then be forwarded to the appropriate person who ordered the item. BSC should develop and implement proper internal controls to maintain an accurate inventory of all items with an acquisition cost of \$1,000.00 or greater in accordance with BSC Board of Governor Policy No. 29. Also, we recommend BSC include all computers and other items of value susceptible to theft in the inventory listing.

Also, BSC should strengthen internal controls over inventory, including but not limited to increasing management oversight over all areas of inventory management to be in compliance with Legislative Rule Title 133, Series 30; Bluefield State College Governors Policies; the BSC Purchases System Narrative and other applicable rules and regulations. Also, even though BSC's Board of Governors Policy No. 34 allows items to be retired via landfill (i.e., dumpster), we believe BSC should exhaust all other disposal methods prior to disposing items via landfill and only items determined to have "no value" should be disposed of via landfill. Additionally, documentation should be kept to support all retired items in accordance with State statute.

We further recommend BSC prohibit student access to the inventory system. Also, the Purchasing Director should review all physical inventories and ensure the inventory is accurate. BSC should forward a copy of the complete and accurate inventory listing to the WVHEPC in accordance with BSC Governing Board Policy No. 29, along with a signed statement by the Purchasing Director certifying the inventory is complete and accurate to the best of his knowledge.

We also recommend the Director of Public Safety provide a copy of theft and fraud reports to management and the Purchasing Director in a timely manner.

Further, since BSC lacks many of the basic internal controls over inventory, we recommend the College work with the WVHEPC and the Legislature and consider requiring institutions under the WVHEPC follow Purchasing Division Policies and Procedures, including the maintaining of inventory with an acquisition cost of \$1,000.00 or greater and computers within the State accounting system (WVFIMS) and retirement of equipment inventory through the West Virginia State Agency for Surplus Property (WVSASP).

Spending Unit's Response:

During the audit period, the institution had two fulltime employees whose primary responsibilities include oversight for both BSC and NRCTC: Operation of the Purchasing Department, the College Purchasing Card Program, the College's fixed asset program and disposal, the

college mailroom, print shop, supply room, copier accounts, supervision of student workers and receiving goods from UPS and FedEx. With the separation of NRCTC from BSC, changes in processes and providing greater accountability for the areas of responsibility in the Purchasing Department will occur.

In addition, the College has contracted with a regional certified public accounting firm to assist in insuring better internal controls at the institution, beginning with the fixed asset system. Several meetings have taken place as well as evaluation of the current systems with the firm. The College will be changing and improving controls to improve the fixed asset system. The institution has purchased asset control software with barcode technology to also improve the inventory system.

Board of Governors Policy No. 29 will be revised to comply with WVHEPC Guidelines. The College inventoried items over \$1000 even though the fixed asset system required \$5000 and greater.

Prior to the audit, when entire rooms were inventoried and the items listed in specific rooms were not located, the room numbers were deleted to indicate the item was not located in the specific room. This was done to release the item in the database from that specific room. This process is being changed and updated.

There are certain offices that assist students in specific programs by providing short term sign out of computers. The offices sign out computers as needed and maintain the equipment in their own records. A new procedure is being developed in which they will be required to notify the responsible office to provide a second location where checkout documentation is maintained. Other changes will include a standardized sign-out program to insure procedures are followed.

Vehicles in question had been retired and sent to West Virginia Agency for Surplus Property (WVASP). Normally when the forms were signed and returned to the institution from WVASP, the items were given a surplus date and posted as surplus by staff and student workers. Although the items had been fully depreciated, the surplus date was not entered in the system. To resolve these issues students will not be permitted to do data entry and staff will monitor retirements more closely.

The electronic classroom was located but it had been updated. Many items beginning with the cabinetry containing the tag number had been replaced. It was later determined that some of the individual components had failed and were replaced earlier by BSC as well.

Staff continues to look for and locate items not found. Two of the items have been land filled: the 27 Year old TV had been in and out of the repair shop and was returned dismantled and the 19 year old charcoal barbecue grill had collapsed and dumped coals and food on the ground and was disposed of as well.

The College inventoried items over \$1000 even though the fixed asset system required \$5000.00 and greater. At the time the audit started the institution had moved to only add the fixed assets \$5000 and greater into the fixed asset system. The Director of Purchasing and staff continued to post items under that amount into the inventory database and attempted to manage them.

The non inventoried items listed were items such as old folding tables, folding chairs, tablet chairs, cheap disposable printers, etc. All items disposed in this manner were to be broken down prior to disposal. The justification to dispose of items in this manner was an attempt to save resources by not having worthless non inventoried items moved several times by state employees. The College will reevaluate this process and determine if there is a less costly, timely way to track these non inventoried items and be more accountable for them.

The method of requesting disposal by verbal means for non inventoried items was to save personnel time and disposal cost. The original justification related to Lewisburg and Beckley campuses which was saving up items of no value and delivering them to BSC for disposal. It would take one employee 3 to 5 hours of the day plus a truck rental to deliver items that needed to go straight into the trash. It saved time and money so other areas were permitted to do the same.

The institution will reevaluate this process and look for a solution that will not create an enormous amount of employee time and yet be more accountable for items of no value.

BSC does not have a central receiving department. BSC has discussed establishing an office for many years. With the purchasing card program it will be more difficult to establish. Also, the availability of funds and adequate space with the landscape and traffic patterns of the institution creates a challenge for a central receiving department on campus. The College will continue to evaluate this recommendation.

The institution previously had a procedure in place in which employees must report all equipment items on an Inventory form. The Purchasing Office will reeducate employees, continue to use the reporting form and monitor the acquisitions more closely.

The safeguards that were already in place to insure that students did not enter a surplus date into the database are the Director of Purchasing prints out and prepares the retirement documents for disposal of goods. The request document is signed and forwarded to the Vice President of Financial and Administrative Affairs for review and approval. The Director of Purchasing is on hand when the property is disposed of and the item is checked off the list. No item is disposed of without being on the list. In the case of items sent to the land fill all items are broken down prior to being put on the truck. After the items are removed from College property the surplus document is signed a second time by Director of Purchasing indicating disposal.

Prior to the audit, as inventories were received they were entered into the database; however, documentation was disposed of by workers. We now maintain all documentation of manual inventories and the Director will certify and submit a copy to the Vice President of Financial and Administrative Affairs each year. The Purchasing Director will certify the inventory listing is complete and accurate.

Computer monitors slated to be disposed of were slated for disposal on the statewide recycling contract and were stored in a storage building near the purchasing office. In order to locate other equipment for the financial and legislative auditors, it was necessary to move the monitors out of the building. In addition, another group of monitors to be disposed of were delivered and were to be disposed of by using the statewide recycling contract for monitor disposal. The weather delayed the pickup and the storage building was filled with computers and copiers awaiting disposal. WVASP cannot accept such items; therefore, the state established the statewide monitor disposal contract. Items listed were placed in plain view of a surveillance camera. Effective immediately, no equipment including items that the College has to pay a disposal fee for, will be stored in an unsecured location.

BSC had disposed of the vehicles properly and did not have any control of the vehicles not being taken out of the College's name. There is not a procedure in place with the State Department of Motor Vehicles to verify current vehicles titled to the College. The College will work with the State Department of Motor Vehicles (DMV) to implement a periodic verification of vehicles titled to the College, if allowed by the DMV.

The 1992 Passenger Van was sold by sealed Bid, the 2007 Chevrolet Malibu was paid for and picked up by the insurance company, and 1 ½ ton truck was transferred to a city agency.

BSC will comply with the West Virginia Higher Education Policy Commission (WVHEPC) guidelines.

With the assistance and recommendation of our outside audit firm, inventory guidelines, procedures, processes and policies are being reevaluated to comply with WVHEPC guidelines and provide greater control and accountability of the College's fixed assets.

The College has transferred and sold equipment in the past and plan to hold more sealed bids and exhaust other disposal methods prior to landfill. Records will be maintained to comply with WVHEPC guidelines.

BSC will comply with WVHEPC guidelines regarding submission of end of year inventory.

Current WVHEPC policy during the audit period requires inventory/fixed assets to be maintained over \$5000. The agency will comply with WVHEPC guidelines and make recommended changes to the Board of Governors policy to comply.

Finding 2

Cash Receipts

As reported in the Post Audit Special Report of BSC Internal Controls Over Imprest Funds And Cash Collection Points for the period of July 1, 2005 through June 30, 2007, during our audit period BSC **did not** have an effective system of internal controls in place over its cash collection points to ensure all moneys received at all BSC campuses were deposited. Total revenue deposited to BSC funds during fiscal year 2006 and 2007 totaled \$22,437,790.40 and \$20,947,894.20, respectively. However, due to the lack of an effective system of internal controls over cash receipts, we were unable to determine if all moneys collected were deposited. Thus, the possibility exists moneys may have been collected at BSC cash collection points, not deposited to the proper BSC funds and used for fraudulent purposes, including personal gain.

Also, as a result of the significant weaknesses in internal control, we were unable to audit cash receipts deposited to BSC funds, totaling \$3,159,333.19, by various cash collection points, as detailed in the table below.

<u>Cash Collection Point</u>	<u>FY 2007 Cash Receipts Deposited</u>	<u>FY 2006 Cash Receipts Deposited</u>	<u>Combined Total Cash Receipts Deposited</u>
Copy Card Machines	\$ 1,202.00	\$ 1,978.00	\$ 3,180.00
Security Office	10,733.00	9,087.64	19,820.64
Library	32.65	96.70	129.35
Lewisburg Campus Bookstore	249,305.43	248,464.91	497,770.34
Beckley Campus Bookstore	209,298.25	82,942.14	292,240.39
Summersville Campus Bookstore	182,260.78	151,856.54	334,117.32
Bluefield Campus Bookstore*	923,296.38	1,048,365.77	1,971,662.15
Student Health Center	911.00	0.00	911.00
Registrar's Office	6,931.00	7,332.00	14,263.00
Testing Center	<u>13,394.00</u>	<u>11,845.00</u>	<u>25,239.00</u>
Total	<u>\$1,597,364.49</u>	<u>\$1,561,968.70</u>	<u>\$3,159,333.19</u>
<i>*The cafeteria deposits are included with the Bluefield Campus Bookstore deposit amounts.</i>			

Criteria:	<p>Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, states in part,</p> <p>“The head of each agency shall:...</p> <p>(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....”</p> <p>Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, states in part,</p> <p>“(a) All officials and employees of the state authorized by statute to accept moneys due the State of West Virginia shall keep a daily itemized record of moneys received for deposit in the State Treasury....”</p>
Cause:	<p>There were significant weaknesses in internal control, including but not limited to, security and basic safeguards over moneys; lack of segregation of duties and no offsetting management oversight; and/or not being able to form a population of transactions.</p>
Effect:	<p>We believe there was ample opportunity for thefts and loss of moneys collected and, as a result, we were unable to determine if all moneys received at BSC campuses during our audit period were deposited. Further, because of significant weaknesses in internal controls over the aforementioned cash collection points, we were unable to audit BSC cash receipt deposits totaling approximately \$3.16 million.</p>
Recommendation:	<p>We believe BSC is responsible for the oversight of cash collection points at both BSC and New River campuses because BSC is contracted to perform the administrative duties related to cash receipts for New River. Therefore, we recommend BSC develop and implement policies and procedures to ensure internal controls are in place at both BSC and New River campus cash collection points in order to prevent and detect errors or fraud. Further, we recommend BSC comply with Chapter 5A, Article 8, Section 9 and Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, and strengthen internal controls over the receipt of funds as recommended in the aforementioned Post Audit Special Report.</p>
Spending Unit’s Response:	<p><i>At each location identified, outside of the Business Office, where money is collected a receipt book is used to record the receipt of cash with the exception of vending machine money. Money taken in at the copy card machines and the vending machines is collected by two people to</i></p>

prevent fraud. The receipt books meet the state requirement of “a daily itemized record.” The books are not only completed when cash is receipted, but they are also brought to the Business Office where the Business Office balances the receipts back to the money. The departmental collection worksheets which the Business Office receives were made available to the auditors. The auditors also reviewed many of the Business Office cash settlements. The College believes the receipts identified in the report are auditable as there is documentation to support each deposit and collection.

The vending machines are placed for the convenience of students. The copy card machines are used by other schools and are a convenience to our students. The dollar amount collected is small. A malfunction of the machine is possible, but such a thing would be an accident. If we sold copy cards in the offices, students would not be able to buy copy cards after hours. We believe vending machines are the best choice.

For the Bookstore locations, at the end of every business day all registers are closed out by doing a Z reading on the register. This reading shows the amount of business done during the day. The register and safe are counted and all monies, checks and credit cards must match the Z reading. Upon reconciling the cash registers, a report and deposit receipt is prepared. Attached to these items are the cash, checks, credit cards, paid outs, credit card returns and any other receipts that are applicable to that day’s business. The next business day the report is hand delivered in a locked bag to the Business Office where it is receipted and a receipt is given to the Bookstore. The Business Office has a copy of every cash report the Bookstores has prepared. The Bookstore also keeps a copy of the reports as well.

In August 2007 there was a shortage of Bookstore funds at the Lewisburg Campus. The amount of \$450.00 was missing from the Bookstore daily cash reports of August 14th and August 15th. These reports were hand delivered to the cashier at the Lewisburg Campus Business Office. The cashier signed that she received the reports but did not receipt them in at that time. Three days later when the cashier was processing the reports, the Bookstore staff was informed the report for August 14th was \$200.00 short and the report for August 15th was \$250.00 short. These two reports had been lying in the office for two days unsecured. Bookstore staff did not follow directives by leaving a report without having it processed. Staff was verbally reprimanded and directed to wait for receipts.

The Bookstores, at all locations, have had no more money shortages. Changes were made in the spring of 2008 to secure the money while being taken from the Bookstore to the Business Office by putting the

deposit in a locked bag. The bag can only be unlocked by the cashier in the Business Office.

The Bookstores are not operating under point of sale but plans are in place for point of sale in the near future.

The College's staff indicates that all monies collected by the Bookstores at all locations have been deposited and there are records to substantiate each deposit.

The Legislative Auditors had expressed concern of the Security Office student employees having access to cash. The College moved security collections to the Business Office. The Registrar's Office collection has also been moved to the Business Office. In addition, we are recounting the cashier's money each day.

Finding 3

Accounts Receivable

Condition:

We noted BSC is extending financial credit to students in noncompliance with the West Virginia Constitution, West Virginia Code and the BSC Board of Governors Policies by accepting partial payments on tuition and fees and allowing students to receive credit for courses and receive degrees when the student has an outstanding accounts receivable balance due and not paid by third parties.

As of June 12, 2009, BSC's and New River's (which BSC administers) outstanding tuition and fees accounts receivable totaled \$211,178.97 and \$157,413.86, respectively through summer 2008. The Accounts Receivable Supervisor informed us no attempt is made for collection of the outstanding accounts receivable balance past the semester the balance is incurred.

We further noted BSC also had outstanding book vouchers; however, BSC did not keep complete records to support these amounts. The Vice President for Student Affairs told us BSC started the book voucher program in Fall of 1998. The Project Coordinator provided us with recreated electronic files detailing book vouchers issued during our audit period totaled \$295,143.49 of which \$81,588.23 or 28% was outstanding. However, the Vice President for Student Affairs told us (in a memorandum) "...Since some students were unable to repay their book costs even after receiving their financial aid, provision was made in the program that the amount due would be forgiven after a two-year period and treated as a scholarship..." Thus, the Vice President for Financial and Administrative Affairs told us the outstanding book vouchers were paid from other BSC funding and not reflected as outstanding accounts receivable on BSC's financial statements.

Criteria:

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

"The credit of the state shall not be granted to, or in aid of any county, city, city township, corporation or person..." (Emphasis Added).

Chapter 18B, Article 10, Section 1 of the West Virginia Code, as amended, states in part,

"...(g) All fees are due and payable by the student upon enrollment and registration for classes except as provided in this subsection: (1) The governing boards shall permit fee payments to be made in installments over the course of the academic term. All fees shall be paid prior to the awarding of course credit at the end of the academic term...(3) If a governing board determines that a student's finances are affected adversely by a legal work stoppage, it may allow the student an

additional six months to pay the fees for any academic term. The governing board shall determine on a case-by-case basis if the finances of a student are affected adversely...”

Bluefield State College, Board of Governors Policy No. 7, states in part,

“...2.1 No financial credit of any type shall be extended to any individual, either student or other, at Bluefield State College. All colleges shall operate on a strictly cash basis with all payments and obligations being collected prior to the start of classes except as provided in this rule. Fees include tuition registration, HERF, faculty improvement, activity, lab and other course related fees.

2.2 Exceptions may be granted where a bona fide third-party agency has provided authorization in writing that payment will be made for the student.

2.3. Exceptions may be granted for late financial aid disbursements for situations at no fault of the student....”

Cause:

There is a significant lack of management oversight over BSC’s accounts receivable. BSC only attempts to collect outstanding tuition and fees account receivables in the semester it is incurred. Additionally, BSC does not hold the student responsible when payment is not received from a third party. Further, BSC does not keep an aging schedule for accounts receivable, rather they are maintaining a paper system.

Also, if a student does not pay their outstanding book vouchers, BSC uses other funding sources to cover the outstanding amounts. The Vice President for Student Affairs told us he is responsible for the book voucher and scholarship programs and as responsible party for the budget he can designate unrestricted funds as scholarships/grants. He further added this has increased enrollment.

Effect:

The outstanding tuition and fees and book voucher accounts receivables could have been collected and these moneys could have been used for legitimate State expenditures. BSC’s financial statements were misstated because outstanding book vouchers were not reflected in the accounts receivable amounts.

Recommendation:

We recommend BSC comply with Bluefield State College, Board of Governors Policy No. 7 by operating on a strictly cash basis with all payments and obligations being collected prior to the start of classes, except as provided in the West Virginia Code and Board of Governors Policy. We further recommend BSC develop and implement a policy governing the collections of outstanding accounts receivables. BSC

should turn the third party outstanding accounts receivables due from State agencies over to the Court of Claims for further collection. Also, we believe BSC should hold students responsible for outstanding accounts receivable balances if third parties do not pay and, therefore, forthcoming, students should not receive credit for courses or receive degrees, if applicable, until all outstanding accounts receivable balances are paid.

Additionally, we recommend BSC discontinue using other funding sources to cover book vouchers not paid by students and BSC management should consider whether issuing book vouchers is cost beneficial for the College. Further, BSC should implement an accounts receivable module in banner to keep an aging schedule, to accurately reflect accounts receivable in the financial statements and to assist in the collection of outstanding accounts receivable.

Spending Unit's Response:

BSC will evaluate the processes, procedures and policies for collecting all outstanding accounts receivable. BSC recognizes improvements can occur in the accounts receivable area.

Partial payments have been allowed for many years if a bona fide third party letter of authorization is on file or a document has been signed agreeing to the terms of the payment of fees. When a student owes money to the institution, he is not allowed to graduate or receive a transcript as a hold has been placed on his account in Banner. BSC has a small number of students for whom third party payments have not been received.

The increased work created by providing services to two institutions has limited staff to working accounts receivables one semester at a time. The College will undertake a more active role in collecting debts to the College.

Also, plans are underway to implement the accounts receivables module of Banner to which will also assist in better and more accurate data.

Finding 4**Dual Compensation**

Condition:

During our audit period, we noted instances where BSC extravagantly paid five regular full-time employees that were exempt from the Fair Labor Standards Act (FLSA) over \$20,000.00 for job duties which fell under their regular job description. These instances are detailed in the table below.

<u>Employee</u>	<u>Regular Job Description</u>	<u>Extra Help Job Description</u>	<u>Amount Received in Extra Help Pay</u>
Employee #1	Manage institutional computer services	Manage computer services	\$ 9,400.00
Employee #2*	Install, upgrade, troubleshoot data and video networks and security systems	Install data infrastructures outside of normal work hours	3,390.00
Employee #3*	Office mgr for ITC and CL and administrative assistant	Keeping the NCATE assessment database up to date	1,000.00
Employee #4	Install and supervise campus infrastructure	Install data infrastructures outside of normal work hours	5,640.00
Employee #5*	To assist in the everyday operations of the physical plant, etc.	To bring into compliance items from State Fire Marshall's report	<u>3,648.48</u>
Total			<u>\$23,078.48</u>
<i>*Classified employee</i>			

BSC personnel were unable to provide us with time records to support if \$14,990.00 of the extra help pay detailed in the above table was for hours worked outside of their regular workweek.

Also, we noted BSC paid five regular full-time employees that were non-exempt and were covered under the overtime provisions of the FLSA over \$7,500.00 for job duties which fell under their regular job description. These employees should not have been paid as extra help employees; rather, in accordance with the FLSA the employees should have earned overtime for any hours worked in addition to their regular work week. These instances are detailed in the table below.

Employee	Regular Job Description	Extra Help Job Description	Amount Received in Extra Help Pay
Employee #6*	Provide administrative support to the interim VP of Student Affairs	Provide administrative support to the interim VP of Student Affairs	\$1,046.20
Employee #7*	Day to day operations of department ; supervises and coordinates activities for support staff, etc.	Assumed duties of administrative assistant in the Development Office outside of normal work hours	2,175.00
Employee #8*	Supervise and oversee all cleaning operations	Evening security outside of normal work hours	1,053.98
Employee #9*	Maintain electrical systems, automotive upkeep, plumbing, carpentry, etc	To bring into compliance items from State Fire Marshall's report	1,350.54
Employee #10*	Maintain electrical systems, automotive upkeep, plumbing, carpentry, etc	To bring into compliance items from State Fire Marshall's report	<u>1,900.64</u>
Total			<u>\$7,526.36</u>
<i>*Classified employee</i>			

BSC personnel were unable to provide us with time records to support if \$3,221.20 of the extra help pay detailed in the above table was for hours worked outside of their regular workweek.

Further, we noted because of receiving extra help pay, in FY 2006, Employee #10 who is a classified employee defined as non-exempt from the FLSA was paid \$619.19 in excess of the salary established in Chapter 18B, Article 9, Section 3 of the West Virginia Code, as amended.

Criteria:

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

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

Chapter 18B, Article 9, Section 3 of the West Virginia Code, as amended, states in part,

“...(c) No classified employee defined as nonexempt from the wage and hour provisions of the Fair Labor Standards Act of 1938, as amended, may be paid an annual salary in excess of the salary established by the salary schedule for his or her pay grade and years of experience....” (Emphasis Added).

Title 29, Code of Federal Regulations, Part 778.101, states in part,

“...As a general standard, section 7(a) of the Act provides 40 hours as the maximum number that an employee subject to its provisions may work for an employer in any work week without receiving additional compensation at not less than the statutory rate for overtime....”

The Code of Federal Regulations, §778.107, states in part,

“...The general overtime pay standard in section 7(a) requires that overtime must be compensated at a rate not less than one and one-half times the regular rate at which the employee is actually employed....”

Cause:

The Vice President for Financial and Administrative Affairs told us BSC was reimbursed extra help pay for Employee #2 and #4 by the WVHEPC; however, we were not provided with documentation to support this. Also, she told us the extra help pay for Employee #5, #9, and #10 was for work performed on behalf of the Research and Development Corporation.

The Human Resource Director told us employees were paid extra help pay because they performed additional duties outside their normal workweek. Further, BSC were unable to provide us with all time records to support supplemental pay.

Effect:

BSC extravagantly paid five regular full-time employees that were exempt from the FLSA over \$20,000.00 for job duties which fell under their regular job description. The possibility exists additional exempt employees may have received extravagant compensation for services which should have been covered in their regular pay.

Also, BSC did not pay five non-exempt employees in accordance with the FLSA. We were unable to timely determine the effect on compensation due to the non-exempt employees being paid the extra help pay rather than overtime pay in accordance with the FLSA. The possibility exists that additional non-exempt employees may not have been paid in accordance with the FLSA. Also, we noted one classified

non-exempt employee was paid in excess of the salary established in State statute. Additionally, the possibility exists that extra help payments may have resulted in additional classified non-exempt employees being paid in excess of the salary established in State statute.

Also, without time records, we were unable to determine if all of the aforementioned exempt and non-exempt employees earned the supplemental pay by working hours outside of their regular work week.

Recommendation:

We recommend BSC comply with Chapter 12, Article 3, Section 13 and Chapter 18B, Article 9, Section 3 of the West Virginia Code, as amended, and Title 29 of the Code of Federal Regulations as it pertains to the FLSA and discontinue the practice of paying exempt and non-exempt employees as extra help work falling under their regular job duties. Exempt employees are not required by the FLSA to receive any additional pay for hours worked in excess of their normal work week and non-exempt employees are entitled overtime pay for hours worked in excess of their normal work week. We further recommend BSC require employees to keep time records for hours worked in accordance with the FLSA.

Also, BSC should determine if any other overpayments were made to exempt and non-exempt employees and consult legal counsel to determine if the aforementioned and any other instances of over compensation should be recovered from employees.

Spending Unit's Response:

BSC believes most, if not all of the additional pay was for work outside of the employee's job description at the time. Also, the work performed was outside of their normal work environment and/or outside of their normal work day. Much of the funds of the \$20,000 and \$7,500 were for work performed at the Erma Byrd Higher Education Center in Beckley and the Bluefield State Research and Development Building in Bluefield, of which both are outside of the responsibilities of BSC employees. However, BSC employees had the expertise to assist these outside entities and were requested to do so. Some of the outlaid funds were reimbursed by the Higher Education Policy Commission and some were paid from a grant. The support staff responsible for payroll currently was not employed at BSC during the audit period and may not have known the reasons for the additional pay. Unfortunately, at the time this issue was raised to administrative personnel, there was not sufficient time to search and provide additional documentation.

BSC will review the job descriptions of those seeking additional pay in the future and will evaluate the proper course to take so this issue will not be a continual questionable item.

Finding 5

Unsupported Payouts of Cash in the Bookstore

Condition: During field work, we became aware the BSC Bookstores issued payouts of cash totalling \$102,297.17 during our audit period without sufficient documentation to support the reason for the payouts.

Criterion: 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....”

Cause: The Bookstore Manager told us these payouts of cash were issued for returns of merchandise to the Bookstore. She explained when refunds were issued, the original sales receipt was signed and dated by the cashier and given back to the customer. No copy of the receipt supporting the initial purchase of items was retained to support the payout of cash in the Bookstore.

The returns were recorded on a payout report by the cashier, which detailed the description and amount of the returned item and signed by the customer and the cashier at the time of return of the merchandise. However, the Bookstore Manager did not always sign the payout report at the time of the return and distribution of cash; rather, the Bookstore Manager may have signed the form at the end of the working day when the daily reports were completed.

Effect: Without sufficient documentation to support the payouts of cash, we were unable to determine whether the payouts were for legitimate refunds. The possibility exists the payouts of cash may have been used for other purposes, including personal gain, and gone undetected by BSC management due to lack of management oversight.

Recommendation: We recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and maintain adequate documentation (i.e., copies of receipts to support original purchases) to support payouts of cash in the Bookstore. We further recommend BSC designate employees, separate from the cashier function, to document their authorization of refunds at the time of the transaction.

Spending Unit's Response:

BSC has implemented a new procedure that includes making a copy of the sales receipt and having a Manager or Supervisor present during the payout process as discussed with the Legislative Auditors.

The payouts totaling \$102,297.17 included two fall semesters, two spring semesters and two summer terms. During this audit period a four week return period for fall and spring semesters and one week for both summer terms was in effect.

The payouts are not for any merchandise. The payouts are for textbooks only. The return policy states no returns on gift and supply items.

The payouts are due to students changing classes, dropping classes, getting the wrong book, and some books were returned due to buying the book elsewhere. During the time period the audit covered, the internet was becoming popular and students were buying books from the College, using them until their books came in from the online companies and then returning the books back for a refund. The policy was requested to shorten the return period from four (4) weeks to two (2) weeks and approved by the Board of Governors. The new two (2) week return period went into effect the Fall 2008.

During the beginning of each semester, which is a very busy period, the Bookstore Manger is present. When the cashiers were making a return most of the time the Bookstore Manager was aware of the transaction. Due to servicing four locations for both BSC and NRCTC, payouts at all locations have the same procedure as the campus at Bluefield. The other Bookstores are 45 minutes to two hours away from Bluefield.

The payouts forms were always filled out properly and signed by staff, student and Bookstore Manager.

Once a point of sale system is in place, better internal controls will also be in place to completely correct this.

Finding 6

Lack of Support for Compensation Paid to Non-Exempt Employees

Condition:

BSC personnel were unable to provide us with timecards to support compensation paid to three non-exempt employees totaling \$68,957.50. These instances are detailed in the table below.

<u>Employee</u>	<u>Payroll Period Ending Date</u>	<u>Total Amount of Gross Earnings</u>
Employee #1	9/15/2005; 11/15/2005; 12/16/2006	\$ 4,654.50
Employee #2	7/30/2005; 6/15/2007	1,879.00
Employee #3	7/1/2005 – 6/30/2007	<u>62,424.00</u>
Total		<u>\$68,957.50</u>

Criteria:

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

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

Title 29, Code of Federal Regulations, Chapter V, Part 516, states in part,

“...(a) *Items required.* Every employer shall maintain and preserve payroll or other records containing the following information and data with respect to each employee to whom section 6 or both sections 6 and 7(a) of the Act apply:...

(7) Hours worked each workday and total hours worked each work week...

(12) Date of payment and the pay period covered by payment....

(c) *Employees working on fixed schedules:* With respect to employees working on fixed schedules, an employer may maintain records showing instead of the hours worked each day and each work week as required by paragraph (a)(7) of this section, the schedule of daily and weekly hours the employee normally works. Also... (1) In weeks in which an employee adheres to this schedule, indicates by check mark, statement or other method that such hours were in fact actually worked by him, and...(2) In weeks in which more or less than the scheduled hours are worked, shows that exact number of hours worked each day and each week....”

Cause: There is a significant lack of management oversight over the payroll function. The Senior Project Coordinator/Payroll told us that it is difficult to obtain timecards from some employees. She further told us it is up to the supervisor to inform her when an employee is absent from work.

Effect: The possibility exists the aforementioned employees were paid for services not rendered. Also, the possibility exists other non-exempt employees were not required by BSC to keep timecards in accordance with FLSA and may have been paid for services not rendered. During our audit period, compensation paid to non-exempt employees totaled \$5,618,085.73 or 27.9% of total personal services and estimated employee benefits paid to non-exempt employees totaled \$1,411,344.23.

Recommendation: We recommend BSC comply with Title 29 of the Code of Federal Regulations and require non-exempt employees keep and submit timecards to the respective supervisor. Once timecards are approved by the respective supervisor, the time records should be submitted to the Payroll Department for review to ensure the non-exempt employees are being compensated for services rendered in accordance with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended.

Spending Unit's Response: *BSC will implement better documentation and control over the time card process. The College will also work with the supervisor or director should time cards not be signed, approved and submitted to Payroll timely. Should there be noncompliance after all attempts are made, then a recommendation will be made to place a letter in each employee personnel file, and ultimately, if a time card is unattainable, not paying the employee until adequate documentation of time worked is received.*

Finding 7

Purchasing Card Delegation

Condition: We noted three instances of purchasing card (p-card) delegation during our audit period, totaling \$2,569.53.

Criterion: The State Auditor’s “State Purchasing Card Program Policies and Procedures” Handbook, states in part,

“...4.4 P-Card Delegation

P-Card delegation is prohibited. P-Card delegation is the practice of allowing an individual other than the cardholder whose name appears on the front of the P-Card to have access to the P-Card or P-Card number to initiate or complete a transaction. P-Card delegation increases the risk of fraud and cardholder liability.

P-Card delegation includes allowing an individual other than the cardholder to:

1. have physical possession of the P-Card to make payments to point of sale vendors;
2. have access to the P-Card number and expiration date to make payments via telephone, internet, or in person;
3. have access to receipts or invoices that display the P-Card number and expiration date.

P-Cards are issued in an individual’s name. Only that person named on the P-Card is the authorized user. ...

4.5 P-Card Security – Purchasing and Travel Only

The P-Card must be kept secure. The individual cardholder is accountable for every charge made by or authorized by the cardholder that appears on his or her P-Card...”

Cause: We noted two employees gave their p-card to other BSC employees to make purchases. One of the two employees provided us with a written statement that, **“since [his] card has a higher limit”, it is a common practice in his office for others to use his p-card to make purchases. (Emphasis Added)**. Also, agency personnel made us aware that one employee’s p-card was accidentally used by her significant other.

Effect: There were three instances of known card delegation during our audit period, totaling \$2,569.53. The possibility exists other occurrences of card delegation have occurred and gone unnoticed by BSC management. Card delegation increases the risk that the p-card may be

used to make purchases not for official State business by unauthorized users. We believe the risk of card delegation is increased because of the high number of p-cards assigned to BSC employees and p-cards are taken home by BSC employees, rather than being properly secured on BSC's campus. As of October 30, 2007, BSC had 69 State p-cards issued to employees.

Recommendation:

We recommend BSC comply with the Purchasing Card Policies and Procedures by prohibiting card delegation. Additionally, we recommend BSC implement a policy requiring employees to secure p-cards on the premises of BSC. Further, we recommend BSC consider reducing the number of p-cards issued to agency personnel.

Spending Unit's Response:

BSC was unaware of the card delegation and cardholders have been trained; therefore, the cardholders would and should have known of the disallowance of purchasing card delegation. The finding has been self reported to the state auditors as per policy. A letter has been sent to both purchasing card holders and should this occur again by either card holder, the cards will be canceled.

Finding 8

Fraudulent Time Records

Condition: During fieldwork, we noted BSC Maintenance employees were completing fraudulent time records. If the Maintenance Department worked additional hours to accrue compensatory time, the hours worked were not recorded on the employee’s respective timecard. Additionally, when the employee took compensatory leave and was not at work, he or she recorded that he/she was working the hours.

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

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

Title 29, Code of Federal Regulations, Part 5.16.2, states in part,

“...(a)...Every employer shall maintain and preserve payroll or other records containing the following information ...

(7) Hours worked each workday and total hours worked each work week...”

Cause: Agency personnel told us they continued the practice of the former administration.

Effect: We were unable to audit BSC compensatory time. The possibility exists that Maintenance Department employees may have been paid for services not rendered.

Recommendation: We recommend BSC require all employees to keep accurate time records in accordance with Title 29 of the Code of Federal Regulations as it pertains to the FLSA to ensure employees are paid only for services rendered in compliance with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended. Specifically, BSC should require employees to complete a form to request compensatory time which should be approved by the proper supervisory authorities prior to the employee working the compensatory time. Once compensatory time is approved, any time worked to accrue compensatory leave should be recorded on the employee’s time card. Also, when compensatory leave is taken, a leave form should be completed, signed by the employee and approved by the proper supervisor. Additionally, any compensatory leave taken should be reflected on the employee’s time card. Further, a record of compensatory leave accrued and taken should be kept in the Online Leave System, as is sick and annual leave accrued and taken.

Spending Unit's Response:

Compensatory time is not utilized frequently at BSC; however, once informed by the Legislative Auditors of compensatory time records not being maintained and/or tracked well, processes were implemented to better track employee's compensatory time. Maintenance employees are now completing and submitting Compensatory Time/Overtime Agreement forms for all work above the non-exempt employees assigned 37.5 hours. The form must be approved by the immediate supervisor and VP for Financial and Administrative Affairs. All approved forms are forwarded to Payroll. An employee must complete a leave slip requesting compensatory time and it is documented on the employee's time card.

At this time, employees do not have access to submitting compensatory time in the Online Leave System; however, requests will be made to the Computer Center staff to add compensatory time to the annual and sick leave electronic database for easier and better tracking. The system previously in place and utilized by the BSC Maintenance employees has been improved and there was no intent to commit fraud by either the institution or its employees, it was simply the system in place which has been improved.

The College will develop a better process of tracking and documenting employee time cards.

Finding 9

Library Inventory

Condition: Prior to Spring 2008, BSC had not performed an inventory of books, periodicals and other materials kept in the Bluefield Campus Library in approximately 10 years; thus, we were unable to audit the inventory of the Library. BSC performed the Library inventory in Spring 2008 and the Administrative Assistant I provided us with a list of 501 books that could not be located during the inventory. We were unable to determine the replacement cost of these books.

Criterion: 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....”

Cause: There is no policy or procedure to govern the inventory of books and periodicals. Also, there is a lack of management oversight over inventory of books, periodicals and other materials kept in the Bluefield Campus Library.

Effect: We were unable to audit the inventory of the BSC Library. Also, 501 books could not be located during the Spring 2008 inventory of books, periodicals and other materials kept in the library. The possibility exists other books may be lost and/or stolen and gone unnoticed by BSC management. Agency personnel told us as of Spring 2008, the inventory of library books, periodicals and other materials kept in the Bluefield Campus Library totaled \$1,375,911.16.

Recommendation: We recommend BSC work with the WVHEPC and develop policies and procedures to govern the inventory of books and periodicals. Also, we recommend BSC perform a periodic inventory of items held in the library and implement proper management oversight in accordance with Chapter 5A, Article 9, Section 8 of the West Virginia Code.

Spending Unit’s Response: *Library inventory was not done in ten years in anticipation that the new library system would have an inventory system that worked properly, unlike VTLS, our previous library system. However, the inventory module was not purchased by the West Virginia Library Commission, which funds our online library system. Therefore, we were forced to go back to the card-by-card method, which is extremely time consuming and labor*

intensive. Procedures are in place for inventorying the collection library collection.

We have learned that our systems manager can help us with an electronic inventory if we use barcode readers with memory. Items that are read by the barcode readers can be put into files and emailed to staff at the West Virginia Library Commission, who then runs them against the consortium database, creating a list of books that do not appear on the scanner readouts.

For better security, the College is currently seeking a price quote for a new gate to cover the Conley Hall entrance. Once this is in place, the front door to the student lounge will be used as an emergency exit only.

The College Library staff believes the majority of the books that were not located were a result of a weeding project by a former employee. The books were weeded, but the corresponding shelf list cards were not pulled. Thus, when the inventory was done, the cards that should have been pulled were still in the shelf list, making it appear the books had been lost. This is not so. The electronic records were purged but not the shelf list cards, an oversight. Library staff has since pulled the shelf list cards and there is now a 1:1 correspondence between the shelf list, the electronic card catalog, and the collection. Thus, the inventory is now accurate and complete.

Finding 10

Bookstore and Supply Room Inventory

Condition: We were unable to audit the inventory of the Bookstores and Supply Room because a perpetual inventory record was not kept during our period of audit.

Criterion: 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....”

Cause: According to agency personnel, BSC did not keep a perpetual inventory record for inventory items in the Bookstores and Supply Room.

Effect: We were unable to audit the inventory of BSC’s Bookstores and Supply Room. The possibility exists that items may be lost and/or stolen and gone unnoticed by BSC management. The BSC Bookstores ending inventory totaled \$568,089.41 and \$509,926.00 for FY 2007 and 2006 and merchandise for resale purchased for the Bookstore during our audit period totaled \$2,560,580.17. Also, the BSC Supply Room ending inventory totaled \$10,685.83 and \$13,428.46 for FY 2007 and 2006.

Recommendation: We recommend BSC comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code and implement a perpetual inventory system. Specifically, we believe the Bookstore should implement a point-of-sale system to track inventory of merchandise for resale.

Spending Unit’s Response: *A physical inventory is performed annually in the Bookstore and Supply Room. The annual Bookstore inventory is very detailed and random samples are taken and verified by someone outside of the Bookstore. The College has met with vendors to discuss a point of sale system and will continue with evaluating the best system and look to purchase and implement a system. Currently, inventories are taken regularly in the Bookstore for reordering purposes of textbooks, gifts and supplies.*

The Supply Room is also checked regularly for additional stocking needs and a yearend inventory taken. The College will evaluate the process to implement better documentation and control over the Supply Room inventory process.

Finding 11

Auxiliary Scholarships and Tuition Waivers

Condition:

During the period of July 1, 2005 through June 30, 2007, BSC issued auxiliary scholarships and tuition waivers (excluding athletic tuition waivers) totaling \$165,379.00 and \$531,478.50, respectively. However, we were unable to audit auxiliary scholarships and tuition waivers issued during Fall 2005 and Spring 2006 semesters totaling \$85,719.00 and \$289,260.50, respectively, because the Vice President for Student Affairs was unable to provide us with the Memorandums detailing the students authorized to receive the auxiliary scholarships and/or tuition waivers and the respective award letters.

Without the Memorandums, we were unable to determine if proper authorization was given for the auxiliary scholarships and/or tuition waivers issued during the Fall 2005 and Spring 2006 semesters. Also, without the Award Notification Letters, we were unable to determine whether the proper amount was issued to the students.

Further, we noted seven of 15 auxiliary scholarship transactions tested, totaling \$4,200.00 and 17 of 24 tuition waiver transactions tested, totaling \$14,011.00, did not meet the eligibility criteria set out in the BSC Policy. We further noted there was lack of documentation supporting if the eligibility requirements were waived.

Criteria:

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....”

The National Association of Student Financial Aid Administrators (NASFAA) interpretation provided to us by the Director of Financial Aid states in part,

“... When awarding Title IV funds, schools may, but are not required to, send a student an award letter.....

If a school chooses to send such award letters, they should contain at the minimum the following information:

...how that student’s financial aid will be met”

The Bluefield State College Policy – Academic Scholarships and Board of Governors Academic Tuition Waivers states in part,

“Board of Governor’s academic tuition waivers are allotted annually the Bluefield State College Board of Governors and cover a portion of tuition and Fees....

Renewal Criteria

1. Renewal – New Freshmen
 - a. Minimum 3.0* overall grade point average at end of Spring Semester of Freshman year.
 - b. Minimum of thirty (30) passed hours at end of Spring Semester of Freshman year.
2. Renewal – after first year
 - a. Minimum 3.0* overall grade point average at end of Fall Semester of award year.
 - b. Minimum of thirty (30) passed hours counting the Spring Semester of the previous year and the Fall Semester of the current year.

General Criteria

1. All scholarship recipients must be fully admitted to a Bluefield State College degree program.
2. All scholarship recipients must enroll for a minimum of 15 semester hours per semester unless the Vice-President for Student Affairs and Enrollment Management grants a waiver of this requirement.
3. All scholarship recipients must advance one grade level per year of scholarship awards (30 hours passed in each of two most recent semesters).
4. Students must reapply for scholarships/waivers annually by March 15. All renewals are based upon availability of funds.
5. Freshmen may receive a scholarship/waiver for a maximum of eight semesters.
6. Transfers may receive a scholarship/waiver for a maximum of six semesters.
7. Students must return award letters by a specified date to confirm awards.
8. Release of awards to students who need fewer than 15 semester hours per term to graduate will be made on a case by case basis.
9. Scholarship recipients are expect to attend the annual Scholarship Dinner.
10. Scholarship recipients are expected to attend meetings with donors upon request.

Cause:

There was a lack of management oversight over student eligibility of auxiliary scholarships and tuition waivers and documentation retention during our audit period. The Vice President for Student Affairs told us

BSC only retained documentation (i.e., Memorandums, Award Letters, etc.) to support financial aid issued during the current school year. Also, the Director of Financial Aid told us that BSC has disposed of the original Students Award Letters for the past 10 years; however, it is noted in the Banner system the award letters were mailed.

Effect: We were unable to audit auxiliary scholarships and tuition waivers issued during Fall 2005 and Spring 2006 semesters totaling \$85,719.00 and \$289,260.50. Also, students not meeting eligibility requirements were allotted auxiliary scholarships and tuition waivers in FY 2007 in noncompliance with BSC internal policies. We further noted there was lack of documentation supporting if the eligibility requirements were waived. The possibility exists that students may have been shown favoritism in being awarded auxiliary scholarships and/or tuition waivers.

Recommendation: We recommend BSC implement proper management oversight to ensure auxiliary scholarships and tuition waivers are issued in compliance with West Virginia Code and internal policies. Also, we recommend BSC keep original documentation to support financial aid disbursed to students in accordance with Chapter 5A, Article 8, Section 9 of the West Virginia Code and the NASFAA rules and regulations.

Spending Unit's Response: *Memoranda authorizing the award of auxiliary scholarships are maintained electronically in the office of the Vice President for Student Affairs and Enrollment Management. Paper copies are sent to the Financial Aid Office. Auditors were furnished the electronic copies where requested. In addition, the paper claim tickets issued by the Financial Aid Office are on file in the Business Office. In addition, with the existence of the electronic records in the student information system (BANNER) for all students beginning with the 1989-1990 school year, awards can be verified.*

Electronic copies of the original award letters were not retained. However, signed award letters from the students accepting the scholarship offers are retained on a regular basis. All of the files since the 2006-2007 school years are on file in the office of the Vice President for Student Affairs and Enrollment Management. At the end of the 2005-2006 year, administration of the scholarship awards was transferred from one Student Affairs Office into the Vice President's office and in the transition, the copies of the award letters were misfiled. We have been unable to locate the 2005-2006 year.

Auxiliary scholarships are recruiting scholarships and are awarded to new and transfer students to encourage them to attend Bluefield State College. They are normally not renewable but students who meet the

minimum academic criteria may be awarded other scholarships. At times when other scholarship funds are fully committed and funds remain in the auxiliary scholarship, students may be renewed for another year.

The renewal criteria listed by the auditors apply to the Academic Board of Governors' Tuition Waivers. The Institutional Board of Governors also authorizes an additional five percent which can be awarded on a need basis, without regard to academic renewal criteria. The institution has chosen not to list this as a criterion, but will determine a carefully worded statement for future publication which will indicate the availability of the need based award. The basis for these awards is that a student have unmet need as indicated by the Financial Aid Office; we have generally indicated to the students that this is an academic award in order to be able to hold students to a higher renewal standard.

Students are checked each year to determine if they meet the criteria for renewal. Students who are determined to be not eligible may appeal for renewal based on extenuating circumstances. Prior to this year, most of these students met with the Vice President for Student Affairs and Enrollment Management, who then would renew some students based on his determination of academic promise. Procedures for renewal are followed always, with provision for appeal. Beginning with this year, all appeals must be in writing and are filed with the student applications. Students are awarded based on merit, need, special talents or special circumstances. No awards have ever been based on favoritism.

In all cases, when appeals, written or verbal, were granted, notation was placed in the scholarship database which is maintained on all students who apply for scholarships. These databases indicate the date of the student application, the awards made with the date, the return of the acceptance letter, and the transmittal of the award to financial aid. These databases were implemented beginning with the 2004-2005 school year, but were never considered by the auditors. Bluefield State College has implemented all of the recommendations of the auditors.

Finding 12**Fuel Purchases**

Condition:

In addition to purchasing fuel for BSC vehicles using Exxon and Chevron fuel credit cards, BSC operates an on-site fuel tank. We noted a lack of management oversight over both the fuel purchases placed on the fuel credit cards and the fuel tank. This lack of management oversight increases the risk of misuse and/or theft of fuel, especially with the increase of fuel prices and the economic recession.

Fuel Credit Cards

During our audit period, expenditure payments to Exxon (i.e., Fleet Services) and Chevron for the fuel credit cards totaled \$36,984.18. BSC personnel assign the fuel card to the driver of the vehicle, not the vehicle itself. When a vehicle and fuel card is assigned, it is recorded on a daily log sheet.

We tested 14 fuel credit card transactions totaling \$11,531.15 and noted various instances where fuel cards were logged out when State vehicles were not assigned to the respective employee. Therefore, we were unable to determine if these purchases on the fuel credit cards totaling \$6,927.62 were for legitimate State expenditures. The possibility exists these purchases of fuel may have been for personal benefit.

Also, we noted the fuel credit card invoice showed fuel purchases totaling \$602.76 during times when the fuel card was not logged out on the daily log sheet.

Also, the Administrative Assistant Senior told us a reconciliation is not performed of the fuel receipts to the fuel credit card statement.

Fuel Tank

Gasoline purchased for the fuel tank totaled \$77,165.64 during fiscal years 2007 and 2006. Each time a vehicle is fueled, it is recorded in a manual log. However, the Administrative Assistant Senior told us the manual log is not reconciled to the usage of fuel. However, she told us safeguards are in place to deter unauthorized usage, including the tank is in a fenced lot which is accessible by all dayshift maintenance employees, supervisors and night security; the fuel tank is turned on and off from inside the maintenance building, also accessible by maintenance department employees; and there is a security camera reviewed by the Director of Public Safety.

Criterion: 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....”

Cause: There was a significant lack of management oversight over BSC fuel purchases and usage during our audit period. Agency personnel told us fuel cards may have been issued for fuel purchases related to rental cars and the chartered bus. Also, agency personnel told us during normal working hours, the Maintenance Department employees needing to use a fuel card for State vehicles were not required to sign out a card. Further, the Administrative Assistant Senior assumed the Accounting Department performed reconciliations and vice versa.

Effect: The possibility exists fuel purchased with State funds may have been used for personal benefit and/or stolen and gone unnoticed by BSC management.

Recommendation: We recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and strengthen internal controls over the use of fuel purchases to ensure all fuel purchases are used for the benefit of the State. Such internal controls should include, reconciling the fuel log to the usage of the fuel tank; performing a reconciliation of fuel receipts to fuel credit card billings; and maintaining documentation to support the fuel card usage. In addition, we recommend BSC assign each BSC vehicle a set of fleet fuel cards and discontinue the practice of allowing these cards to be assigned to a BSC employee without assigning the associated vehicle.

Spending Unit’s Response: *Fuel Credit Cards: Reconciliation will occur for fuel receipts to the fuel credit card billings and better recordkeeping to support fuel card usage. The College will review assignment of fleet credit cards to certain vehicles such as the vehicles assigned to the President and two Security vehicles. The Maintenance Department now requires all maintenance employees’ sign out fuel cards needed to purchase gasoline when needed, such as the fuel tank low and delivery could not be made, diesel for the backhoe and kerosene for the pressure washer. The College will evaluate the best method to track other fuel card receipts and charges.*

Fuel Tank: Maintenance personnel have implemented a process to measure periodically the fuel in the tank with allowance for purchases and usage. Follow up will occur with an operating letter to report this on a regular basis to management and any irregularities.

Finding 13

Tuition Waivers

Condition:

During field work, it became apparent BSC issued 15.04 tuition waivers above the 10% of the previous fall student full-time equivalent (FTE) allowed per West Virginia Code to students in fiscal year (FY) 2006. We noted the previous fall FTE was 1583.60. This is detailed in the table below.

<u>Amount of Tuition Waivers Allowed per WV Code</u>	<u>Recalculated Amount of Tuition Waivers Issued</u>	<u>Difference</u>
158.36 FTE	173.40 FTE	15.04 FTE

Criteria:

Chapter 18B, Article 10, Section 5 of the West Virginia Code, as amended, states in part,

“...An institution may not have in effect at any time a number of undergraduate fee waivers which exceeds five percent of the number of full-time equivalent undergraduate students registered during the fall semester of the immediately preceding academic year...”

Chapter 18B, Article 10, Section 1(l)(5)(F) of the West Virginia Code, as amended, states in part,

“...To the extent authorized, will increase by up to five percent the available tuition and fee waivers provided by the institution. The increased waivers may not be used for athletics...”

Cause:

The Vice President for Student Affairs told us FY 2006 was the first year BSC separated financial aid and scholarship awards from New River, and many of the two year student awards became BSC students that BSC was obligated to re-award. He further stated because of the transition and the fact that New River awards were well under their allotment, it is his belief BSC’s role of doing what was best for the students was accomplished, which was the mandate implied from the Governing Board and WVHEPC and the Memorandums of Agreements signed by each school.

Effect:

By exceeding set limitations for undergraduate tuition waivers, BSC is in non-compliance with West Virginia Code and internal policies. Also, BSC is not collecting all moneys due. We were unable to determine the actual over-payment of tuition waivers; however, using the in-state waivers rate of \$570.00 per waiver, the over-payment to students for over awarded tuition waivers total a minimum of \$8,872.80 in FY 2006.

BSC could be using moneys for authorized expenditures to benefit the State.

Recommendation: We recommend BSC comply with Chapter 18B, Article 10, Section 5 and Section 1(l)(5)(F) of the West Virginia Code, as amended, and implement proper management oversight to ensure tuition waivers are issued in compliance with West Virginia Code and internal policies.

Spending Unit's Response: *During the period of separation of New River Community and Technical College from Bluefield State College, commitments to students who had previously had tuition waivers were honored, leading to a slight over-award by Bluefield State College. Discussions were held with the Vice President of Student Affairs of New River, who agreed that since New River was not using its full allocation and the two institutions were still administratively linked and in the same database, this should not be a problem for that year. Subsequently, Bluefield State College has remained within the allotment available to the institution since the 2005-2006 year of transition, maintaining an accurate record of awards and files of applications and acceptance letters.*

Finding 14

Employee Termination

Condition:

The Director of Human Resources told us BSC did not complete Personnel Action forms (WV-11's) when an employee terminated employment due to retirement, resignation, or transfer. Rather, BSC only completes the WV-11 to terminate the employee's position at the time the position is filled or the position is eliminated. This increases the possibility an employee may continue to receive pay after his or her date of separation.

During our audit period, 28 employees terminated employment with BSC. We tested seven of the 28 employees termination pay and noted four employees were paid incorrect termination pay, as detailed in the table below.

<u>Employee</u>	<u>Audited Total Gross Pay</u>	<u>Total Gross Pay</u>	<u>Difference</u>
Employee #1	\$ 2,772.90	\$ 2,997.90	(\$225.00)
Employee #2	6,056.61	6,216.21	(159.60)
Employee #3	1,777.90	1,734.09	43.81
Employee #4	<u>971.61</u>	<u>1,146.18</u>	<u>(174.57)</u>
Total	<u>\$11,579.02</u>	<u>\$12,094.38</u>	<u>\$515.36</u>

Also, we were unable to determine one additional employee's date of separation because of inconsistencies in the dates of separation reflected on the documentation in the employee's personnel/payroll file. These instances are detailed in the table below.

<u>Document</u>	<u>Indicated Date of Separation</u>
WV-11	October 16, 2006
Resignation Letter	January 1, 2006
Written Statement	January 28, 2005

Also, even though agency personnel told us that the date of separation is determined from the date on the resignation letter, we noted the employee's last payroll was issued on August 16, 2005 – approximately four and a half months before the separation date indicated on the resignation letter.

Criteria:

Chapter 5, Article 5, Section 1 of the West Virginia Code, as amended, states in part,

“...“Years of service” means full years of totaled service as an employee of the state of West Virginia...”

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

“...Every eligible employee with three or more years of service shall receive an annual salary increase equal to fifty dollars times the employee’s 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....”

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 such time. The lump sum payment shall be made by the time of what would have been the employee’s next regular pay day had his employment continued. In determining the amount of annual leave entitlement, weekends, holidays or other periods of normal, noncountable time shall be excluded...”

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

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

Cause:

The Director of Human Resources stated she does not know why WV-11’s were not completed to terminate employees. She explained she just continued the procedures that were already in place prior to her employment at BSC.

Further, Employee #1 was overpaid due to agency personnel erroneously paying him pro-rated annual increment when the employee transferred to another state agency. Employee #2 was overpaid due to mathematical errors in determining the amount due on his contract. Employee #3 was underpaid because BSC calculated the annual increment payment based on the incorrect years of service and did not pro-rate the annual increment payment based on months of service. Employee #4 was overpaid because BSC did not properly prorate the employee's months of service in the calculation of the annual increment payment and erroneously paid the employee for 6.45 hours which she did not work and did not have annual leave to cover.

Effect: According to the State Budget Office, if a WV-11 is not completed at the time an employee retires or resigns, the spending unit's budget and full-time equivalents (FTE) will be overstated because the separated employee is still reflected as being actively employed, utilizing a FTE and earning a salary. This increases the risk an employee may continue to receive pay after his or her date of separation.

Three employees were overpaid a total of \$559.17 and one employee was underpaid a total of \$43.81 termination pay. Also, we were unable to determine if one employee's termination pay was proper.

Recommendation: We recommend BSC submit WV-11's to the State Budget Office at the time an employee terminates employment. We further recommend BSC comply with Chapter 5, Article 5, Section 1, 2 and 3, and Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended. In addition, the agency should recover the overpayment amounts from the employees and compensate the above employees for services rendered.

Spending Unit's Response: *The College has changed its process to report more frequently when an employee leaves employment of BSC to the State Budget Office and will provide greater oversight of the calculation of the final pay upon termination.*

Finding 15

Invoices Paid Untimely

Condition:

We noted 110 of 225 transactions tested or approximately 49%, totaling \$1,342,667.62 (of \$3,469,929.08 tested), where BSC did not process transactions for payment within ten days from the receipt of invoices in non-compliance with Chapter 5A, Article 3, Section 54 of the West Virginia Code. The average days of these transactions processed in non-compliance with the Prompt Pay Act was 58.22 days, with 15 days being the minimum and 422 days being the maximum. Also, we noted no date stamp was found on invoices for two additional transactions, totaling \$55,435.12.

Further, we noted 39 of 40 transactions tested or approximately 98%, totaling \$38,198.63, were untimely processed for payment in non-compliance with BSC internal Travel Rule, Policies and Procedures. The average days of these transactions processed in non-compliance with BSC's internal Travel Rule was 43.38 days, with nine days being the minimum and 127 days being the maximum.

Criteria:

Chapter 5A, Article 3, Section 54 of the West Virginia Code.

"...(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...

(b) (1)...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...**

(d) The state agency initially receiving a legitimate **uncontested invoice shall process such invoice for payment within ten days** from its receipt...." **(Emphasis Added).**

Legislative Rule, Title 155, Series 1, Section 3.9., which states in part,

"...In order to comply with W. Va. Code 5A-3-54, the Prompt Pay Act of 1990, the Auditor requires that all invoices be date stamped, either manually or electronically, upon receipt by the state agency..."

BSC internal Travel Rule, Policies and Procedures which states in part,

"...Employees/supervisors are responsible for submitting a State of West Virginia travel expense account settlement form with all required

receipts and direct bill attachments to the Accounting Office who **forwards to the Auditor of Travel within 5 business days from the last day of travel....” (Emphasis Added).**

Cause: The Accounting Assistant II provided numerous reasons why the invoices were not processed timely, including but not limited to: the Accounting Department waited for the submission of purchase orders and/or receiving reports before a transaction was processed for payment; when she was on vacation no one assumed her job duties; and on occasion she waited on approval prior to the payment of invoices. Also, she told us the Bookstore receives invoices and then forwards the invoices to the Accounting Department for processing. Additionally, she told us the employee who processed travel expenditures during our audit period was on leave for an extended period of time due to an illness and other employees had to assume her job duties.

Effect: As a result, 43 transactions totaling \$590,918.89 were not paid within 60 days of receipt of the invoice as required by the West Virginia Prompt Payment Act. BSC was liable for interest charges from the 61st day after the invoice was received by the State agency until the date the State check was mailed to the vendor. Also, we were unable to determine if two transactions were processed in accordance with the Prompt Payment Act. Additionally, employees were not timely being reimbursed for travel expenses with the BSC Travel Rule, Policies and Procedures.

Recommendation: We recommend the BSC comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code, Legislative Rule Title 155, and the BSC Travel Rule, Policies and Procedures by implementing proper management oversight to ensure invoices are processed timely and invoices are date/time stamped when received. Further, we recommend BSC ensure all invoices are forwarded directly to the Accounting Department, rather than the department which made the purchase.

Spending Unit’s Response: *The Finance Offices will date stamp all invoices when received as recommended and will either pay invoices more timely, or document the reason payment has been delayed. Also, with the implementation of scanning documents for payment to the State Auditor’s Office, processing time has been improved. In review of the list of documents paid late, the College believes there was justifiable reason why many were late, including but not limited to: 1) Some were association dues and the State Auditor’s Office will allow annual payments to the vendors. Many times, these dues are due in the month of July and cannot submit for payment until July although the vendor may invoice in April or May. 2) Many of these were Bookstore invoices and quite large.*

The College was waiting on credit memos which were sometimes quite large to offset the invoice expenditure. The Bookstore vendors understand this process and have not indicated there is a problem. In addition, holding the payment could initiate the vendor to issue the credit sooner. 3) Construction contract payments are occasionally held for lack of job completed as indicated on the invoice which was the instance on at least one or two of the larger invoices. The College will provide better supporting documentation behind the invoice indicating the delay of which the vendor has always been notified.

Other items not paid timely will be reviewed and an attempt will be made to improve the receipt of needed documentation from the campus community.

Finding 16

Inaccurate Leave Balances

Condition:

We noted two of five employee’s sick leave balance tested as of June 30, 2007 was overstated by a total of 58.25 hours and one employee’s sick leave balance was understated by a total of 4.40 hours. Also, we noted three of the five employee’s annual leave balance tested as of June 30, 2007 was overstated by a total of 72.74 hours.

Criteria:

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....”

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

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

The Bluefield State College Classified Staff Employee handbook states in part,

“Annual Leave is earned and accrued as follows:

Less than five years’ service:	1.25 days/month
Five but less than Ten years’ service:	1.50 days/month
Ten but less than Fifteen years’ service:	1.75 days/month
Fifteen or more years’ service:	2.00 days/month

An annual leave accrual rate will be based on years of service to the recognized years of service to the recognized agencies of the State of West Virginia...”

The Bluefield State College Classified Staff Employee handbook states in part,

“...Annual Leave is earned and accrued for non-classified employees at a rate of 2.00 days/month.... “

Cause: Approved manual leave forms were not entered into the Online Leave System; the Online Leave System reflected leave taken, but agency personnel were unable to provide us with manual leave forms to support the leave was taken; inaccurate leave accrual rates; and a mathematical error. Additionally, the Senior Project Coordinator/Payroll told us if an employee does not submit a timecard or leave form that his or her supervisor is responsible to inform her to adjust the employee's leave and pay, if applicable. We believe there is a lack of management oversight over employee's leave accrual and usage.

Effect: Two of five employee's sick leave balance tested as of June 30, 2007 was overstated by a total of 58.25 hours and one employee's sick leave balance was understated by a total of 4.40 hours. Also, three of five employee's annual leave balance tested as of June 30, 2007 was overstated by a total of 72.74 hours. The possibility exists that additional employees leave balance is inaccurate and employees may have been paid before services were rendered.

Recommendation: We recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and ensure timecards and leave forms are reviewed and maintained by the Payroll Department to support leave usage in order to ensure payment is made only for services rendered in compliance with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended. Also, we recommend BSC comply with the Bluefield State College Classified and Unclassified Staff Employee handbooks to ensure annual leave accrual rates are accurate. Additionally, we recommend BSC adjust employees leave rates accordingly and keep support for all adjustments to employees' leave balances. Further, BSC should review all employees leave to ensure balances are accurately reflected in the Online Leave System.

Spending Unit's Response: *The period under audit was also at the time the College was transitioning from a manual system to an electronic system. Timecards and leave time will be reviewed for verification and BSC will review balances to ensure annual and sick leave balances and rates are correct in the online system. The College will also implement a procedure to support and approve any adjustments made to employees' leave balances.*

Finding 17**Receiving Reports**

Condition:

During field work, it became apparent BSC receiving functions and completion of receiving reports was in noncompliance with State statute. Specifically, we noted instances where the receiving report was prepared by an employee who did not receive the commodities and instances where no receiving report was completed to support commodities were received.

Receiving Report Prepared by Employee Not Receiving Commodities

We tested 60 cash disbursement transactions, of which 33 transactions required a receiving report to be completed in accordance with State statute. Of these 33 transactions, we noted three instances totaling \$58,130.56 where an Accounting Department employee signed the receiving report—even though she did not receive the commodities. The Accounting Department employee told us she completed the receiving report when the person receiving the commodities informed her goods were received. She further told us she no longer completes receiving reports for items she does not physically receive.

Also, during the testing of Merchandise for Resale at the BSC Bookstore, we became aware the Bookstore Manager completes the receiving reports for textbooks and merchandise received at all BSC Bookstore locations—even though she did not receive the commodities. The Bookstore Manager provided us with a written statement which stated in part,

“...I complete the receiving report after all paperwork has been verified and the invoice is ok by me for payment either by p-card or check....The same process is followed at all four campuses....”

The Bookstore Manager further told us she does not receive Cabinet Level approval for purchase orders. We believe these are significant instances of lack of management oversight over expenditure transactions. Such a lack of management oversight increases the risk for theft and/or fraud of items purchased. Merchandise for Resale purchased during our audit period totaled \$2,560,580.17.

Lack of Receiving Reports

Of the 33 cash disbursement transactions tested that required a receiving report to be completed in accordance with State statute, we noted an additional 10 of these transactions, totaling \$161,608.40

where BSC did not prepare a receiving report to support the receipt of commodities.

Also, we noted one additional transaction (I630010106) totaling \$115,000.00 for the purchase of computer equipment where a receiving report was completed, but was not signed verifying the receipt of commodities.

Additionally, during the test of Student Health Center disbursement transactions, we noted receiving reports were not prepared for four of the five transactions tested, totaling \$1,899.35. However, the invoices were paid by BSC. These transactions were for the purchase of over-the-counter medicines and prescriptions dispensed at the BSC Student Health Center. The invoices were signed by the Project Coordinator; however, we noted the commodities were shipped to the Professor of Nursing.

Criteria:

Chapter 12, Article 3, Section 10(f) of the West Virginia Code, states in part,

“...The state officer or employee acting as head of each spending unit is responsible for the completion and timely submission of the receiving reports, **which shall be prepared at the original point of receipt of the commodities at the spending unit by employees designated by the head of the spending unit to receive the commodities and prepare the receiving reports.** The receiving reports shall include, but not be limited to, the following information: Vendor name, description and quantity of commodities received, date commodities are received, whether commodities are acceptable for payment, **and a signed acknowledgment of receipt by the employees receiving the commodities.** The receiving reports required by this section shall be prepared within twenty-four hours of the receipt of the commodities...”
(Emphasis Added)

Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, states in part,

“...Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the state treasury, shall, before any such money is paid out of the state treasury, certify to the auditor that the money for which such requisition is made is needed for present use for the purposes for which it was appropriated; and the auditor shall not issue his warrant to pay any money out of the state treasury unless he is satisfied that the same is needed for present use for such purposes...”

Bluefield State College Purchasing Procedures Narrative, states in part,

“...The completed departmental Purchase Order is sent from the division or department head directly to a major administrator for approval and signature....”

Cause:

The Accounting Department employee told us she completed and signed receiving reports for items she did not receive in order to expedite payments. The Bookstore Manager told us she completed receiving reports for items she did not receive because she could not physically be at all bookstore locations to receive the items. Also, she told us she was unaware that Cabinet Level approval was required for purchase orders. The Project Coordinator told us she signed the invoices to indicate medications were received when she did not physically receive them because the medications were purchased on her p-card.

Also, Accounting Department personnel told us the finalized receiving reports were not copied prior to being sent to the State Auditor’s Office for processing.

Effect:

Per West Virginia Code, BSC is liable for any debt improperly incurred or for a payment improperly made if the receiving report was not filed with the state auditor as set forth in Chapter 12, Article 3, Section 10(f) of the West Virginia Code.

Recommendation:

We recommend BSC require receiving reports be prepared at the original point of receipt of the commodities by the employee receiving the commodity and within 24 hours of receipt of the commodity in accordance with Chapter 12, Article 3, Section 10(f) of the West Virginia Code. Also, we recommend BSC ensure purchase orders receive the proper Cabinet Level approval to ensure purchases are for the benefit of the State in accordance with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, and the Bluefield State College Purchasing Procedures Narrative.

Spending Unit’s Response:

The College recognizes there are issues as cited in the receiving report process. BSC will work to improve the process and comply with code. Also, BSC will implement a new procedure to ensure all purchases including bookstore purchase orders will be approved by the appropriate cabinet level employee.

Finding 18

Misclassification and Untimely Allocation of Interest Income

Condition:

The WVHEPC invests some of BSC's and New River's funds and deposits the respective interest earned into BSC's Revenue Clearing Account – Fund 4361 on a monthly basis. However, BSC did not transfer the aforementioned interest earnings to the proper fund until the end of each fiscal year. We noted \$740,934.66 for the period of June 2005 through May 2007 was not transferred to the proper accounts timely, of which \$94,164.32 was New River's interest earnings held in BSC accounts.

Also, we noted these transfers were not properly classified as Revenue Source Code 523 – Investment Earnings, rather they were misclassified as Revenue Source Code 864 – Interest on Returned Property, 703 – Education, Department of or 862 – Clearing–Special Revenues.

Criteria:

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....”

The FY 2007 and 2006 Expenditure Schedule Instructions Schedule, state in part,

“...**523 - Investment Earnings**: Interest collected on short-term or long-term investments....

703 - Education, Department of: Revenue received from the federal Department of Education....

862 – Clearing –Special Revenues: Clearing account for Special Revenues until proper allocations can be made....

...**864 - Interest on Returned Property**: Interest earnings on Unclaimed Property principal that must be returned to claimant. (Treasurer's use only.)...”

Cause:

BSC did not transfer the earnings to the proper fund until the end of each fiscal year. The Vice President for Financial and Administrative

Affairs did not know why the transfers of interest were charged to the incorrect object code.

Effect: The WVHEPC does not invest the funds held in BSC's Revenue Clearing Account - Fund 4361; therefore, BSC or New River did not receive interest from WVHEPC on these moneys. We were unable to determine the interest lost. Also, moneys were not available for authorized State expenditures. Additionally, the interest earnings were misclassified on the financial statements.

Recommendation: We recommend BSC comply with Chapter 5A, Section 8, Article 9 (b) of the West Virginia Code and deposit interest earnings into the proper account in a timely manner. Also, we recommend BSC comply with expenditure schedule instructions.

Spending Unit's Response: *College personnel will work to transfer interest transfers on a timely basis and re-evaluate the coding of investment earnings and make changes accordingly.*

Finding 19

Misclassified Expenditure Transactions

Condition:

We noted BSC misclassified administrative fees expenditures for employee health benefits in the amount of \$20,800.00 and p-card expenditures in the amount of \$91,444.57.

We noted BSC transferred \$20,800.00 to the Public Employee Insurance Agency (PEIA) from object code 012 – Public Employees’ Insurance in error, rather than transferring the expense from object code 010 – Personnel Division and Public Employees’ Insurance.

We also noted the June 2006 p-card payment totaling \$99,427.30 (I7459858) was charged entirely to Fund 4371 – Tuition and Required EandG Fees Fund and object code 051- Miscellaneous. Documentation provided to us by BSC personnel indicated \$91,444.57 should have been charged to various other object codes, rather than to object code 051- Miscellaneous. Also, \$54,492.85 of the June 2006 p-card payment should have been paid from various other funds, rather than Fund 4371.

Criteria:

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....”

The FY 2006 and 2007 West Virginia Expenditure Schedule Instructions, state in part,

“...010 - Personnel Division and Public Employees’ Insurance: Fees and charges to those agencies covered by the Personnel Division and PEIA. (Do not include premiums.)

...012 - Public Employees’ Insurance: Premiums paid to Public Employees’ Insurance Agency for public employees’ and retirees’ health insurance. (Do not include amount for annual 1% PEIA transfer (WV Code §11B-2-15); use Object Code 110.)

...051 - Miscellaneous: Allowable employee recognition awards, except those paid from personal services and benefits, and those supplies or services which cannot be classified under any other object code....”

Cause: Accounting Department staff informed us the aforementioned transactions were misclassified due to an unintentional oversight. They told us they were aware of the misclassification of the June 2006 p-card expenditure, but had not corrected the error.

Effect: The possibility exists that BSC financial statements may have been misstated.

Recommendation: We recommend BSC comply with the State of West Virginia Expenditure Schedule Instructions and Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended and implement proper management oversight over the classification and payment of expenditures. Also, we recommend the accounting staff be responsible for classifying transactions to the proper object codes in order to ensure financial statements are accurately stated.

Spending Unit's Response: *As stated by the Legislative Auditors, BSC incorrectly reported administrative fees under 012 public employees insurance instead of 010; however, both of these are under fringe benefits and reported accurately on the financial statements. The purchasing card error reported under 051 was reported correctly under "supplies and other". It is noted both of these items would be reported incorrectly in the State Auditor system of line items. College personnel will be more careful and there will be greater oversight of classification of expenditures.*

Finding 20

Allocation of Tuition and Fees Revenues to Proper Fund

Condition:

During fieldwork, it became apparent BSC did not timely allocate tuition and fee cash receipts to the proper BSC or New River fund.

Tuition and fees payments collected on behalf of BSC and New River were deposited into BSC's Revenue Clearing Fund – Fund 4361. Each month, BSC transferred amounts needed by the institutions to pay expenditures and the remainder of the deposits remained in Fund 4361. At the end of each fiscal year, BSC performed a transfer of all remaining moneys in Fund 4361 to allocate the moneys to the proper fund.

During our testing of tuition and fee transactions, we were able to determine all tuition and fees tested were deposited into the Fund – 4361; however, we were unable to timely determine the tuition and fees were allocated to the proper BSC or New River fund because of the inconsistent and variation of supporting documentation.

Criteria:

Chapter 18B, Article 10, Section 1 of the West Virginia Code, as amended, states in part,

“...(a) Each governing board shall fix tuition and other fees for each school term for the different classes or categories of students enrolling at each state institution of higher education under its jurisdiction and may include among the tuition and fees any one or more of the following as defined in section one-b of this article: (1) Tuition and required educational and general fees; (2) Auxiliary and auxiliary capital fees; and (3) Required educational and general capital fees. (b) An institution may establish a single special revenue account for each of the following classifications of fees: (1) All tuition and required educational and general fees collected; (2) All auxiliary and auxiliary capital fees collected; and (3) All required educational and general capital fees collected to support existing systemwide and institutional debt service and future systemwide and institutional debt service, capital projects and campus renewal for educational and general facilities. (4) Subject to any covenants or restrictions imposed with respect to revenue bonds payable from the accounts, an institution may expend funds from each special revenue account for any purpose for which funds were collected within that account regardless of the original purpose for which the funds were collected. (c) The purposes for which tuition and fees may be expended include, but are not limited to, health services, student activities, recreational, athletic and extracurricular activities. Additionally, tuition and fees may be used to finance a student's attorney to perform legal services for students in civil matters at the institutions: *Provided*, That the legal services are limited only to those types of cases, programs or services approved by

the administrative head of the institution where the legal services are to be performed...”

Chapter 18B, Article 10, Section 16 of the West Virginia Code, states in part:

“...Except as may be provided for in any bond resolution in effect, funds in the state treasury heretofore collected from any of the sources defined in the foregoing sections shall remain in the state treasury for use by the institution where collected. Any interest revenue generated by a special student fee account shall only be expended at or for the institution where such fee was collected...”

Chapter 18B, Article 5, Section 2a (6) (b) of the West Virginia Code, states in part,

“...if a quarterly allocation of appropriations from the general revenue fund to the respective governing boards is insufficient to meet the cash flow needs within their respective systems to meet their payroll requirements, the boards may authorize the institutions to transfer funds from the various special revenue accounts under their jurisdiction to meet these needs, except funds whose use is governed by bonding covenants: Provided, That the legislative auditor shall be notified by the institution at the time of transfer and shall be provided whatever documentation that may be required to maintain records of the amounts transferred and subsequently restored: Provided, however, That the amounts of funds so transferred shall be restored to the accounts from which the transfers were made by the end of the fiscal year in which the transfers occurred: Provided further, That if the records in the Office of the Legislative Auditor indicate any amounts transferred have not been restored by the end of the fiscal year, the Legislative Auditor shall notify the Secretary of Administration, Auditor and Treasurer, and thereafter no funds appropriated or allocated to the institution shall be encumbered or expended until such amounts are replaced: And provided further, That the respective spending units have first pursued appropriate administrative remedies to avoid anticipated cash flow shortages...”

Cause:

There is a lack of management oversight over the collection of tuition and fees payments. The Vice President for Financial and Administrative Affairs provided us with a memorandum dated April 16, 2009, which states in part, “The moneys deposited into Fund 4361 were normally transferred on a monthly basis; however, during the period of July 1, 2005 through June 30, 2007, BSC transferred the moneys to the appropriate BSC or NEW RIVER account as the moneys were deemed needed by the appropriate institution. Revenues due to NEW RIVER

may have been transferred on a more frequent basis than as needed, such as Rehab moneys and also if there were cash flow issues.”

Effect: Funds were not accessible by the institutions for authorized State expenditures. Further, we were unable to timely determine tuition and fee revenues were allocated to the proper BSC or New River fund.

Recommendation: We recommend BSC comply with Chapter 18B, Article 10, Section 1, as amended; Chapter 18B, Article 10, Section 16; and Chapter 18B, Article 5, Section 2a(6)(b) of the West Virginia Code. We further recommend BSC implement the Banner system cash receipt function and record the transaction into the Banner System in a method to determine which fund each revenue collected is to be deposited. Subsequently, BSC should make the deposit to the proper account on a daily basis, rather than making transfers on an as need basis.

Spending Unit’s Response: *Bluefield State College has implemented new electronic procedures in the prior years to easier track funds collected. With both BSC and NRCTC operating on the same Banner system, it was impossible to fully implement the Banner student system without major programming and changes to processes. BSC will transfer funds collected monthly and will begin the planning and implementation of the Banner student accounts receivable module. Although not all records were electronic for the years being audited, BSC personnel believe all funds were deposited and transferred into the appropriate accounts.*

Finding 21

Financial Aid

Condition:

During our audit, we noted one student was over-awarded \$3,785.00 in financial aid and we were unable to determine if five students received financial aid due them totaling \$12,299.00.

We further noted BSC's accounting of financial aid disbursements is complex due to moneys coming in and out of various local bank accounts, rather than being deposited into BSC's State account and one financial aid check being written to the student.

Also, the Accounts Receivable Supervisor told us if a balance is due BSC for tuition and fees, the financial aid checks are kept in the safe until the Business Office staff have time to enter the transaction in the cash register and subsequently deposit the funds into BSC's State fund. We noted fifteen students' financial aid checks totaling \$17,521.00 were not deposited within 24 hours from time of receipt. The average days for a deposit of financial aid was 26 days, with two days being the minimum and 88 days being the maximum.

Criteria:

Title 34 Chapter VI Part 690 Section 80 of the Code of Federal Regulations states in part,

"If a student's projected enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance."

Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, states in part,

"... **(a)** All officials and employees of the state authorized by statute to accept moneys due the State of West Virginia shall keep a daily itemized record of moneys received for deposit in the State Treasury and shall deposit within twenty-four hours with the State Treasurer all moneys received or collected by them for or on behalf of the state for any purpose whatsoever..."

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....”

Cause: The student who was over-awarded \$3,785.00 in financial aid was entered in the Banner system as taking 8 hours of transient classes from East Carolina University; however, the student was only authorized by BSC's Registrar to take 2 hours of transient classes. Also, four students claim ticket was not initialed and dated to indicate they received their financial aid checks and agency personnel were unable to provide us with one student's claim ticket.

The Accounts Receivable Supervisor told us there is not a federal requirement to keep financial aid moneys in separate accounts; rather, it is BSC's preference.

Agency personnel told us the Business Office staff does not have adequate time to enter the financial aid transactions in the cash register and subsequently deposit the funds into BSC's State fund. We noted deposits to the Federal Programs Clearing outside bank account totaled \$15,372,842.95 during our audit period.

Effect: One student was over-awarded \$3,785.00 in financial aid and we were unable to determine if five students received financial aid due them totaling \$12,299.00. The complex accounting of financial aid disbursements and improper holding of financial aid checks increases the risk of theft and/or loss of federal and State financial aid moneys.

Recommendation: We recommend BSC comply with the Code of Federal Regulations, Chapter 5A, Article 8, Section 9 and Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, and implement proper management oversight over the awarding and issuance of financial aid. Further, we recommend BSC discontinue using outside bank accounts to account for financial aid; rather BSC should deposit all financial aid moneys within 24 hours of receipt in the proper BSC fund and apply the payments to the student accounts and issue one refund check to the student. This would cut down on the number of paper checks issued and the complexity of the accounting for financial aid.

Spending Unit's Response: *With the present system of accounts receivable, separate federal financial aid checking accounts allow for a much better audit trail and reporting requirements of these funds. Beginning with the Fall 2009 semester, BSC will no longer be required to service NRCTC students in financial aid and accounts receivable; therefore, this will allow BSC staff to handle appropriate transactions more timely.*

BSC plans include evaluating, planning and implementing the Banner Accounts Receivable module of Banner which will allow for less accounting transactions, centralizing the data.

Finding 22

Late Fees

- Condition: During our audit, we noted BSC did not assess the correct amount of late fees to students for late registration. The Accounts Receivable Supervisor told us if tuition and fees are not paid during general registration, the students are assessed a late fee of \$30.00. However, we noted the Board of Governor’s Policy, effective March 21, 2002, required a late fee of \$50.00 to be assessed on all late registrations.
- Criterion: Bluefield State College, Board of Governors Policy No. 7, states in part, “...5.1 A formal registration period shall be established at the beginning of each semester or term at which time fees are due and payable in accordance with the provisions of this rule. In addition, a late registration period may be established. **A late fee of fifty dollars (\$50) shall be imposed on all late registrants.** The president of the institution or a designee shall have the authority to waive the fee in cases where evidence indicates the delay occurred through a fault of the institution....”(Emphasis Added).
- Cause: BSC personnel told us they were unaware the Board of Governors Policy required a late fee of \$50.00 to be charged.
- Effect: During our period of audit, 917 late fees were assessed totaling \$27,510.00. We determined by not charging students the applicable late fee of \$50.00, BSC did not charge students \$18,340.00 in late fees. These moneys could have been used for authorized expenditures for the benefit of the State.
- Recommendation: We recommend BSC comply with Board of Governors Policy No. 7 and access the correct amount of late fees due to BSC for late registrants.
- Spending Unit’s Response: *All catalogs in recent years have \$30 as the late fee and this fee is on the approved fee schedule by the Board of Governors and the Higher Education Policy Commission. A recommendation will be made to the Bluefield State College Board of Governors to determine whether the policy needs changed or if the catalog should be changed.*

Finding 23

Untimely Reconciliation of FIMS to Banner

Condition: During our audit, we found the BSC Accounting Department was not timely reconciling the State accounting system (FIMS) to BSC’s internal accounting system (Banner). As of February 23, 2009, BSC personnel was nine months behind and was reconciling July 2008 FIMS transactions to Banner transactions.

Criterion: 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....”

Cause: The BSC Accountant stated it takes anywhere from one week to a month to reconcile one month of FIMS transactions to Banner transactions. The BSC Accountant told us the reconciliation process was behind due to various reasons, including requests by auditors and the College was not fully staffed.

Effect: There is a possibility financial statements may be misstated due to an error in transaction(s) and untimely detection by BSC management.

Recommendation: We recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and perform reconciliations between FIMS transactions and Banner transactions in a more timely manner.

Spending Unit’s Response: *As stated in the opening comments, the financial staff has had many challenges in recent years such as processing and reporting financial data for two institutions, networking issues, annual audits of financial and federal programs (total four annual audits) and time consumed by meeting the auditor requests. Currently, expected reconciliations of all cash accounts for BSC are expected to be completed and up to date by August, 2009. Following August 2009, monthly timely reconciliations will occur.*

the student the Bookstore staff list in detail the textbooks on the voucher. A few vouchers such as Veterans and Rehabilitation have a supply limit. The supplies purchased are listed in detail on the voucher as well. At the end of the textbook return period, the authorizations are submitted to the Business Office staff to be invoiced and when received, deposited into the Bookstore account.

Concerning book vouchers from Student Affairs, the vouchers were issued from Student Affairs office and the Bookstore staff worked with the office to make certain all amounts were receipted either by student paying, financial aid reimbursement or paid by a purchase order. The Bookstore has been paid for all outstanding vouchers during the audit period.

Gift Certificates:

In order to provide more services to our students, faculty and staff as well as increase revenue for the college, gift certificates were instituted. The gift certificates were designed by the Bookstore Manager which includes the college logo, a Bluefield State College stamp and signed by the Bookstore Manager using blue ink. When the gift certificates are prepared an original is prepared along with a copy. The original is issued to the person purchasing the certificate and a copy is kept in the Bookstore. There also is an expiration date on the certificate which always ends in the fiscal year of issuance. The gift certificate states there is no cash value. Upon redemption of the gift certificate Bookstore Staff verifies the certificate for any changes and makes sure it has not been tampered with. The purchase is listed on a delivery ticket and totaled and the person signs. The original certificate is then matched with the copy and the certificate is closed.

The gift certificate process will be re-evaluated until a point of sale system is implemented with this feature and ways.

Coupons:

Again in an effort to provide more services to our students and bring more business in the Bookstore, an ice cream freezer was added. The company provided the freezer at no cost to the College. A department on campus requested to offer ice cream coupons so they could be given away as a prize. The ice cream coupons were not numbered but prepared in a way in which the staff felt it would be hard to duplicate. The coupons were watched very carefully by the Bookstore staff and I feel certain that none were duplicated.

Bookstore staff was also asked to prepare coupons for CLA testing. Those coupons were numbered but the numbering had no relation to the validation of the coupons. Upon invoicing for the coupons that were redeemed, the numbers varied. Some of the students did not use them and some did.

There was an expiration date on the coupons and after the expiration date coupons were not accepted. The coupons had different designs on each ones that were sold and the Bookstore staff knew which design was in effect at the time. All other coupons not used or given out were destroyed.

The items purchased were listed on a delivery ticket and signed for by the student and the coupon was attached to the delivery ticket. The coupons could not have been redeemed for a larger amount due to the amount being listed on the face of the coupon and staff awareness of the coupon.

With the sale of items not related to textbooks, it enables the College to generate revenue for the bookstore; therefore, continue to watch the textbook pricing. The Bookstore will evaluate the issuance of coupons.

Finding 25

Student Health Center Inventory of Medications

Condition:

The Student Health Center provides services to students, as well as, faculty and staff. During our audit period, medicines were dispensed to patients, on an as needed basis, and recorded in the respective patient chart; however, the Student Health Center did not keep a perpetual inventory of medicine. Thus, we were unable to determine if all medications purchased were used for the benefit of the State.

The Director of Student Health Services told us the Student Health Center began keeping a perpetual inventory record of medications, in approximately January 2008, by recording the purchase and the dispensing of medications on index cards. Therefore, we attempted to verify the medication on-hand reconciled to the inventory record.

We counted 133 types of medications and determined the on-hand amount of 45 types of medications did not match the amount recorded in the inventory records and inventory records were not kept for 37 types of medicines counted. The Director told us the Student Health Center has not kept the inventory records current.

Medication kept in the Student Health Center includes antibiotics (i.e., amoxicillin, etc.) and medications for cough, allergy, acid reflux, headache, and heartburn.

Criterion:

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....”

Cause:

The BSC Student Health Center does not have adequate internal controls over the inventory of medicine. The Director of Student Health Services informed us inventory records of medications were not kept due to time constraints.

Effect:

The possibility exists medications may have been used for personal benefit and gone unnoticed by BSC management. During our audit period, purchases of medications totaled \$3,226.52.

Recommendation: We recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and maintain accurate perpetual inventory records of medication in the Student Health Center in order to ensure medications are used only for the benefit of the State.

Spending Unit's Response: *Bluefield State College will establish and maintain a perpetual inventory record of medication in the Student Health Center.*

Finding 26

Non-allowable Expenditures from Federal Moneys

Condition: We noted two instances where non-allowable expenditures were paid from federal moneys. These instances are detailed in the table below.

<u>FIMS DOC. ID</u>	<u>DATE</u>	<u>Description</u>	<u>Amount</u>
I006996472	8/4/2005	Broadway shows, shoreline cruise, etc.	\$25,221.00
I630008641	10/21/2005	Carrowinds tickets	<u>1,299.85</u>
Total			<u>\$26,520.85</u>

Criteria: The OMB Circular A-21 Part A, Section 1, states in part,

“...This Attachment provides principles for determining the costs applicable to research and development, training, and other sponsored work performed by colleges and universities under grants, contracts, and other agreements with the Federal Government. These agreements are referred to as sponsored agreements...”

The OMB Circular A-21 Part J, Section 17, states in part,

“...Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable...”

Cause: The Director of the Educational Opportunity Center told us she was advised by the Department of Education that these were allowable expenses.

Effect: Non-allowable expenses were paid by BSC from Federal funds.

Recommendation: We recommend BSC comply with OMB Circular A-21 and pay only allowable expenses from federal moneys.

Spending Unit’s Response: *Justification for Cultural Trip to Chicago, IL*

The Educational Opportunity Center (EOC) is a federally funded Title IV TRIO Program serving first-generation, low-income individuals promoting college access by providing assistance with admissions and financial aid to postsecondary institutions as well as other activities to breakdown socio-economic barriers. Prior approval was obtained verbally from Margaret Wingfield, EOC program officer of the U. S. Department of Education, to take EOC participants on cultural tours.

One of the greatest challenges in higher education is how to help individuals who are low-income, first-generation college students in overcoming the socio-economic and cultural barriers that are inherent in those situations. Both factors are highly correlated with one another. It is well-known that low-income students are much more likely than their affluent counterparts to be the first in their family to attend college. There are significant barriers to not only having access to and enrolling in postsecondary education, but also staying enrolled and completing a degree. Part of the problem lies in their difficulty adjusting to college. First-generation, low-income students often report feeling out of place and inadequate in managing their new environment. However, where there are challenges, there are also opportunities.

TRIO professionals have the unique opportunity to help end the cycle of economic and academic disadvantage. Targeted intervention efforts can help mitigate the differences and help schools retain these students. Support services must go beyond the traditional means. Cultural field trips are one such avenue for broadening students' exposure to culturally diverse experiences. Students who are economically disadvantaged have had typically limited opportunity to travel beyond their immediate community or even participate in cultural events.

It makes sense that students who have had more culturally diverse experiences will have an easier time acclimating to college-life. Simply traveling to other places and experiencing other cultures gives a person a sense of empowerment in managing unfamiliar environments. It also helps facilitate understanding and acceptance of differences. Cultural trips are especially important for students in rural areas who have not had exposure to diversity. A cultural trip can not only help with sense of empowerment and adequacy but also expose students to a wider-range of career opportunities. These trips enrich students' cultural experience and promote learning through visiting of historical landmarks (shoreline cruise), theaters (Broadway shows), museums, etc.

Bluefield State College's Educational Opportunity Center (EOC) in rural West Virginia was able to accomplish these goals through a cultural trip for EOC participants to Chicago. It was the first-time for many of the participants to travel outside of the state, much less their community. Several highlights of the trip included:

- *Riverboat Architectural Tour, featuring Chicago history and architecture*
- *The Art Institute of Chicago Museum*
- *Chicago's Shedd Aquarium*
- *The Field Museum of Natural History*
- *Adler Planetarium & Museum*

- *Wicked, a Broadway Musical, where politicians/politics are not always what they appear to be*

The cultural trip to Chicago was funded by the U. S. Department of Education in support of students who demonstrate potential, despite barriers or limited exposure to experiences that would help them develop and follow through on a plan for college attendance. The trip was also consistent with strategic planning to nurture diversity. TRIO programs are some of the only programs available that help students to overcome class, social, academic and cultural barriers.

Academic retention rates say that students thrive if they are supported and feel as if they matter. Students depend on these programs to succeed academically. Students from families whose budgets are strained often do not participate in culturally enriching extra-curricular activities. In many ways, both subtle and blatant, economic disadvantage may impact academic growth. Cultural trips that are funded to allow first-generation college students from low-socioeconomic backgrounds to participate are crucial in breaking the cycle of economic and academic disparity. Traditional efforts are inadequate. The TRIO programs were originally established by the federal government in 1965 to ensure equal educational opportunity for all Americans, regardless of race, ethnic background or economic circumstances.

The expenditure noted for 8/4/2005 was part of the Emerging Scholars Program for under prepared student funded by the Title III program under an approved portion of the grant. Per grant documentation, this was an approved expense under the grant.

Bluefield State College will comply with OMB Circular A-21 and the Compilation of Federal Education Laws – Volume III and pay only allowable expenses from Federal Title IV funds.

Finding 27 **Agreement with Concord University Not Approved by Governing Board**

Condition: BSC was unable to provide us with documentation to support the Governing Board approved a verbal agreement between BSC and Concord University (CU) that a student enrolled for 12 semester hours or more at the home institution may cross-register to attend classes for credit at either institution without paying additional tuition. The Vice President for Financial and Administrative Affairs told us approximately 15 BSC students take classes at CU each semester without providing payment for these services to CU.

Criterion: Chapter 18B, Article 3, Section 3 of the West Virginia Code, as amended, states in part,

“...The governing boards, the Commission and the Council are authorized and empowered to enter into contracts and expend funds for programs, services and facilities provided by public and private education institutions, associations, boards, agencies, consortia, corporations, partnerships, individuals and local, state and federal governmental bodies within and outside of West Virginia in order that maximum higher education opportunities of high quality may be provided to the citizens of the state in the most economical manner. In no event may a contract for such services and facilities be entered into unless the Commission, the Council or the governing boards have determined that such services and facilities are necessary and would be at a savings to the state...” (Emphasis Added).

Cause: The Vice President for Financial and Administrative Services told us BSC and CU originally made this agreement in the 1970's when they shared a President.

Effect: The possibility exists this agreement was not a cost savings to the State.

Recommendation: We recommend BSC and CU work together to comply with Chapter 18B, Article 3, Section 3 of the West Virginia Code, as amended, and determine if such services and facilities are necessary and would be at a savings to the state. If determined there is a cost savings to the State, we recommend BSC and CU enter into a written agreement approved by both institutions Governing Boards.

Spending Unit's Response: *The agreement dates from the 1970s and was apparently approved by administrations of both institutions since it has appeared in the catalogs of both institutions throughout the years, many years prior to Governing Boards. This agreement saves the institution(s) funds by allowing students to take courses not offered which would be low enrolled courses. These courses are generally upper level classes. The benefit to*

the state is institutions do not have to hire faculty to teach courses needed for graduation which might be under-enrolled; this allows students to graduate in a timely manner at less cost to the institutions. Bluefield State College will request the process be formally approved by the Board of Governors of each college affected.

Finding 28

Chartered Bus Services

Condition: During field work, and after the release of the audit report of BSC's Athletic Department Cash Receipts and Disbursements to/from BSC Foundation Account for the period of July 1, 2005 through June 30, 2007 (special report), we became aware the BSC baseball coach was the President of Team Bus, Inc. used by BSC to charter buses for baseball and softball events. During the period of July 1, 2005 through present, BSC issued cash disbursements to Team Bus, Inc. through the State accounting system in the amount of \$26,619.50. We were informed by the Purchasing Director he was not involved in the bidding process; rather, the Athletic Director and the Athletic Secretary were in charge of the bidding process. We believe the Purchasing Director should have been in charge of the bidding process.

Further, in the aforementioned special report, we reported the amount of \$31,771.00 was issued from the Foundation's Big Blue Fund directly to the baseball coach during the period of July 1, 2005 through June 30, 2007, and the baseball coach nor the Foundation were able to provide us with documentation to support the use of these moneys. We received an e-mail communication from a former BSC baseball player which stated in part,

“...Coach decided to purchase a charter bus. In order to fund this purchase players on the baseball team had to raise \$500 which would cover (from my knowledge) insurance costs and extra fuel costs that the school would not allow....”

Criteria: Bluefield State College HEPC/Board of Governors Policy No. 29 states in part,

“...8.5 The chief procurement officer may accept or reject, in whole or in part, any bid or proposal when the chief procurement officer believes it to be in the best interest of the institution. If any bid or proposal is rejected, a written explanation shall be placed in the purchasing file....”

Cause: The Purchasing Director stated when it was decided to use Team Bus, Inc., it was also determined the Athletic Director and the Athletic Secretary would be in charge of the bidding process. Therefore, the Purchasing Director was never involved in the bidding process for the services of Team Bus, Inc.

Effect: By allowing the Athletic Director and the Athletic Secretary to be in charge of the bidding process, BSC is not being consistent in bidding

procedures. Deviation from the purchasing procedures allows opportunity for fraud, including personal gain, to occur.

Recommendation: We recommend BSC comply with the Board of Governors Policy 29 by strengthening internal controls and requiring the Purchasing Director to be in charge of all bidding of purchases.

Spending Unit's Response: *The College has adhered to the recommendation by requiring Athletic personnel not be involved in the bidding process and the Purchasing Office assuming this responsibility. A letter has been sent to the Athletic Director and a copy given to the Legislative Auditors.*

Finding 29

Single Day Travel Meal Reimbursement Not Reported As Taxable Income

Condition:

During our audit period, BSC reimbursed employees, student workers and members of the faculty council, student advisory council and state advisory council of classified employee meals for single day travel, when there was not overnight stay, when travel time began and/or extended more than two hours beyond the traveler’s work day. During fieldwork, it became apparent BSC did not report employee meal reimbursement for single day travel as taxable income on the employees’ respective W-2.

Criteria:

The Federal Internal Revenue Service’s Publication 15, “Circular E, Employer’s Tax Guide” states in part,

“Nonaccountable plan. Payments to your employee for travel and other necessary expenses of your business under a nonaccountable plan are wages and are treated as supplemental wages and subject to income tax withholding....”

Publication 463, Travel, Entertainment, Gift and Card Expenses” defines nonaccountable travel plans as follows,

“...A nonaccountable plan is a reimbursement or expense allowance arrangement that does not meet one or more of the three rules listed earlier under Accountable Plans. In addition, even if your employer has an accountable plan, the following payments will be treated as being paid under a nonaccountable plan:...Reimbursement of nondeductible expenses related to your employer’s business...”

Publication 17, “Your Federal Income Tax For Individuals”, states in part,

“...Travel Expense You Can Deduct

lodging and meals	your lodging and meals if your business trip is overnight or long enough that you need to stop for sleep or rest to properly perform your duties....”
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Cause:

The Vice President for Financial and Administrative Affairs told us she was unaware she was supposed to report meal reimbursement for single day travel as taxable income.

Effect:

BSC did not report employee meal reimbursement for single day travel as taxable income to the IRS and, therefore, may be subject to penalties and/or fines.

Recommendation: We recommend BSC comply with Publication 15, 463 and 17 of the Internal Revenue Service and report employee meal reimbursement for single day travel as taxable income on employees' respective W-2. We further recommend BSC review the expenditures to determine whether amended W2's or 1099's should be issued.

Spending Unit's Response: *Once informed by the Legislative Auditors, the College immediately made recommendations to the College Council to change the travel policy and then forwarded to the Bluefield State College Board of Governors for approval. The College ceased to reimburse for meals for single day travel, effective January 24, 2008 and the Board of Governors policy was updated to implement this requirement.*

Finding 30

Food Tax

Condition: During our audit period, BSC’s operated Bookstores at the Bluefield campus, as well as New River’s Lewisburg, Summersville and Beckley campuses. The Bookstore at the Bluefield and Summersville campuses sold food including, but not limited to, beverages, ice cream, frozen meals, and snacks.

During field work, it became apparent the Bookstores were not assessing the applicable food tax rate in accordance with State statute. As of January 3, 2008, the Bookstores continued to charge six percent sales tax on all sales, including food items, rather than charging the applicable four percent sales tax rate per State statute.

Criterion: Chapter 11, Article 15, Section 3a of the West Virginia Code, states in part,

“...the rate of tax on sales, purchases and uses of food and food ingredients intended for human consumption after the thirty-first day of December, two thousand five, shall be five percent of its sales price,... after the thirtieth day of June, two thousand seven, shall be four percent of its sales price,... after the thirtieth day of June, two thousand eight, shall be three percent of its sales price...” (Emphasis Added).

Cause: The Bookstore Manager told us she was unaware of the legislation that decreased the State of West Virginia food tax rate. As of January 3, 2008, the Bookstore Manager informed us that the cash registers at all of BSC’s Bookstores were changed to assess the four percent food tax in accordance with State statute.

Effect: As a result of being in non-compliance with State statute, BSC overcharged food tax to consumers. We were unable to determine the amount of food tax paid at the incorrect tax rate during our audit period because the Bookstore did not record the sales of food separate from non-food sales.

Recommendation: We recommend BSC continue to comply with Chapter 11, Article 13, Section 3a of the West Virginia Code and charge the applicable tax on sales of food.

Spending Unit’s Response: *After being informed by the Legislative Auditors of the issue related to food tax, the College made changes to only charge the correct rate.*

Finding 31**IRS Penalty**

Condition:	During field work, we noted BSC paid interest to the IRS on March 12, 2007 totaling \$76.99.
Criterion:	<p>Internal Revenue Service Publication 15 (Circular E), Section 11, states in part:</p> <p>“You are required to deposit 100% of your tax liability on or before the deposit due date. However, penalties will not be applied for depositing less than 100% if both of the following conditions are met.</p> <p>Any deposit shortfall does not exceed the greater of \$100 or 2% of the amount of taxes otherwise required to be deposited and The deposit shortfall is paid or deposited by the shortfall makeup date as described....”</p>
Cause:	A letter from the IRS to BSC indicated interest was charged because BSC did not pay its quarterly taxes on time.
Effect:	These moneys could have been used for other authorized expenditures for the benefit of the State of West Virginia.
Recommendation:	We recommend BSC comply with IRS Publication 15, Section 11 (Circular E) by paying taxes timely.
Spending Unit’s Response:	<i>Changes in recent years by the State Payroll Office allow for direct deposit of federal monies immediately after payroll processing and College personnel do not manually handle any federal funds; therefore, the College is now in compliance with this finding.</i>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, CICA, 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 15 day of July 2009.

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

Stacy L. Sneed, CPA, CICA, 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 Higher Education Policy Commission; Bluefield State College; Governor; Attorney General; and State Auditor.