

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

The Honorable Joe Manchin III,  
Governor of the State of West Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia as of and for the year ended June 30, 2008, which collectively comprise the State of West Virginia's basic financial statements and have issued our report thereon dated March 30, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of certain entities within the governmental activities, the business-type activities, the aggregate discretely presented component units, the major funds, and the aggregate remaining fund information, which represent 64% of total assets, 79% of net assets, and 27% of total revenues for the governmental activities; 82% of total assets, 91% of net assets, and 83% of total revenues for the business-type activities; 100% of total assets, net assets, and total revenues for the aggregate discretely presented component units; 100% of total assets, net assets, and total revenues of the following major funds—Transportation, West Virginia Infrastructure and Jobs Development Council, Tobacco Settlement Finance Authority, West Virginia Lottery, Water Pollution, Workers' Compensation, and Unemployment Compensation; and 93% of total assets, 93% of net assets/fund balance, and 67% of the total revenues/additions for the aggregate remaining fund information, respectively, as described in our report on the State of West Virginia's basic financial statements. The financial statements of the West Virginia Investment Management Board were audited by other auditors in accordance with auditing standards generally accepted in the United States, but were not audited in accordance with *Government Auditing Standards*. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the State of West Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of West Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of West Virginia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we and the other auditors identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 to 2008-29, 2008-38 to 2008-43, 2008-55, and 2008-66 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1, 2008-4 to 2008-6, 2008-10, 2008-12 to 2008-15, 2008-20 to 2008-29, and 2008-55 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of West Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests and the tests of other auditors disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-38 to 2008-43.

The State of West Virginia's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State of West Virginia's response and, accordingly, we express no opinion on it.

We also noted certain additional matters that were reported to management of the State of West Virginia in a separate letter dated March 30, 2009, and the other auditors noted certain additional matters that were reported to management of the audited entities in separate letters.

This report is intended solely for the information and use of the management of the State of West Virginia, the State's cognizant agency, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The signature of Ernst & Young LLP, written in a cursive, handwritten style.

March 30, 2009

**Report on Compliance With Requirements Applicable  
to Each Major Program and on Internal Control Over  
Compliance in Accordance With OMB Circular A-133**

The Honorable Joe Manchin III,  
Governor of the State of West Virginia

**Compliance**

We have audited the compliance of the State of West Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The State of West Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. We did not audit the State of West Virginia's compliance with the compliance requirements referred to above that are applicable to the following major federal programs: Highway Planning and Construction Cluster, and Capitalization Grants for State Revolving Funds. These compliance requirements were audited by other auditors whose reports thereon have been furnished to us. Our opinion on compliance, insofar as it relates to compliance with requirements referred to above that are applicable to the aforementioned major federal programs, is based solely upon the reports of other auditors. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of West Virginia's management. Our responsibility is to express an opinion on the State of West Virginia's compliance based on our audit and the reports of other auditors.

The State of West Virginia's basic financial statements include the operations of the Housing Development Fund, Educational Broadcasting Authority, and the West Virginia University Research Corporation, Marshall University Research Corporation, and West Virginia State Research Corporation (collectively, the Research Corporations), which are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2008. Our audit, described below, did not include the operations of these discretely presented component units, because these entities engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of West Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination on the State of West Virginia's compliance with those requirements.

As described in items 2008–49, 2008–51, 2008–69, and 2008–70 in the accompanying schedule of findings and questioned costs, the State of West Virginia did not comply with the requirements regarding cash management applicable to the Title I Grants to Local Educational Agencies, Special Education Cluster, Twenty-First Century Community Learning Centers, and Improving Teacher Quality State Grants; subrecipient monitoring applicable to Disaster Grants – Public Assistance (Presidentially Declared Disasters); reporting applicable to the Homeland Security Cluster matching, level of effort, and earmarking applicable to the Center for Disease Control and Prevention – Investigations and Technical Assistance. Compliance with such requirements is necessary, in our opinion, for the State of West Virginia to comply with requirements applicable to the aforementioned programs.

In our opinion, based on our audit and the reports of other auditors, except for the noncompliance described in the preceding paragraph, the State of West Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2008. The results of our auditing procedures and those of the other auditors also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A–133 and which are described in the accompanying schedule of findings and questioned costs as items 2008–30, 2008–32, 2008–33, 2008–35, 2008–36, 2008–38 to 2008–46, 2008–48 to 2008–55, 2008–57 to 2008–60, and 2008–62 to 2008–70.

### **Internal Control Over Compliance**

The management of the State of West Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we and other auditors considered the State of West Virginia’s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of West Virginia’s internal control over compliance. Our consideration of internal control did not include the aforementioned major federal programs, which were audited by other auditors, whose reports have been provided to us. Our report on internal control over compliance, insofar as it relates to the aforementioned major federal programs, is based solely on the reports of the other auditors.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity’s internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we and the other auditors identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we and the other auditors consider to be material weaknesses.

A control deficiency in an entity’s internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity’s internal control. We and the

other auditors consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008–30 to 2008–43, 2008–46 to 2008–56, 2008–59, and 2008–61 to 2008–70 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity’s internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we and the other auditors consider items 2008–35, 2008–36, 2008–51, 2008–55, 2008–59, 2008–63, 2008–64, and 2008–69 to be material weaknesses.

The State of West Virginia’s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State of West Virginia’s response and, accordingly, we express no opinion on it.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia, as of and for the year ended June 30, 2008, and have issued our report thereon dated March 30, 2009, which expressed reliance on other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by OMB Circular A–133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the State of West Virginia. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management of the State of West Virginia, the State’s cognizant agency, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst + Young LLP*

March 30, 2009



**STATE OF WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FEDERAL GRANTOR LISTING**  
For the Year Ending June 30, 2008

<u>FEDERAL CFDA GRANT/CONTRACT NUMBER</u>	<u>NAME OF PROGRAM</u>	<u>STATE OF WEST VIRGINIA EXPENDITURES</u>	<u>TOTAL SUBRECIPIENT AWARDS EXPENDITURES</u>	<u>TOTAL FEDERAL</u>
<b><u>OFFICE OF DRUG CONTROL POLICY</u></b>				
I3PAPP501Z	APPALACHIAN HIDTA (NOTE 3)	\$38,043	\$0	\$38,043
I7PAPP501Z	APPALACHIAN HIDTA (NOTE 3)	\$315,615	\$0	\$315,615
I8PAPP501	APPALACHIAN HIDTA (NOTE 3)	<u>\$184,203</u>	<u>\$0</u>	<u>\$184,203</u>
<b><u>TOTAL</u></b>	<b><u>OFFICE OF DRUG CONTROL POLICY</u></b>	<b><u>\$537,861</u></b>	<b><u>\$0</u></b>	<b><u>\$537,861</u></b>
<b><u>DEPARTMENT OF AGRICULTURE</u></b>				
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	\$1,276,544	\$0	\$1,276,544
10.028	WILDLIFE SERVICES	\$20,697	\$25,876	\$46,573
10.163	MARKET PROTECTION AND PROMOTION	\$7,401	\$0	\$7,401
10.169	SPECIALTY CROP BLOCK GRANT PROGRAM	\$20,702	\$0	\$20,702
10.458	CROP INSURANCE EDUCATION IN TARGETED STATES	\$170,515	\$0	\$170,515
10.475	COOPERATIVE AGREEMENTS WITH STATES FOR INTRASTATE MEAT AND POULTRY INSPECTION	\$550,418	\$0	\$550,418
10.500	COOPERATIVE EXTENSION SERVICE	\$4,436,418	\$77,188	\$4,513,606
10.557	SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	\$26,891,213	\$7,455,296	\$34,346,509
10.558	CHILD AND ADULT CARE FOOD PROGRAM	\$176,200	\$14,448,781	\$14,624,981
10.560	STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	\$8,910,400	\$5,248	\$8,915,648
10.564	NUTRITION EDUCATION AND TRAINING PROGRAM	\$607	\$0	\$607
10.572	WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	\$70,000	\$0	\$70,000
10.574	TEAM NUTRITION GRANTS	\$17,998	\$59,467	\$77,465
10.576	SENIOR FARMERS MARKET NUTRITION PROGRAM	\$418,719	\$0	\$418,719
10.579	CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	\$34,222	\$296,374	\$330,596
10.652	FORESTRY RESEARCH	\$8,439	\$0	\$8,439
10.664	COOPERATIVE FORESTRY ASSISTANCE	\$979,140	\$4,043	\$983,183
10.680	FOREST HEALTH PROTECTION	\$545,512	\$0	\$545,512
10.769	RURAL BUSINESS ENTERPRISE GRANTS	\$25,910	\$0	\$25,910
10.855	DISTANCE LEARNING AND TELEMEDICINE LOANS AND GRANTS	\$74,480	\$0	\$74,480
10.902	SOIL AND WATER CONSERVATION	\$25,214	\$0	\$25,214
10.903	SOIL SURVEY	\$6,695	\$0	\$6,695
10.914	WILDLIFE HABITAT INCENTIVE PROGRAM	\$55,497	\$0	\$55,497
NOTE 5A	FOOD STAMP CLUSTER	\$306,742,894	\$2,296,773	\$309,039,667
NOTE 5B	CHILD NUTRITION CLUSTER	\$754,381	\$66,168,553	\$66,922,934
NOTE 5C	EMERGENCY FOOD ASSISTANCE CLUSTER	\$1,647,572	\$0	\$1,647,572
NOTE 5D	SCHOOLS AND ROADS CLUSTER	\$2,551,658	\$0	\$2,551,658
04-CR-11061500-028	USDA FOREST SERVICE REGION 6 UMPQUA NATIONAL FOREST DIAMOND LAKE WINTER USE STUDY	\$4,630	\$0	\$4,630
07-JV-11242300-160	A SYMPOSIUM TO SYNTHESIZE INFORMATION FROM EXPERIMENTAL FORESTS AND RANGES (CESU)	\$15,079	\$0	\$15,079
68-3A75-2-89 Mod 11	PROJECT SUPPORT PROPOSAL FOR NETWORK ENGINEER FOR THE NATIONAL GEOSPATIAL DEVELOPMENT CENTER	\$81,616	\$0	\$81,616
68-3A75-2-89 Mod 14	REMOTE SENSING FOR SOIL SURVEY APPLICATION (CESU)	\$6,665	\$0	\$6,665
68-3A75-2-89 Mod 18	PROJECT SUPPORT PROPOSAL FOR SOIL SURVEY SCANNING AND DIGITAL ARCHIVING	\$51,791	\$0	\$51,791
68-3A75-2-89 Mod 19	PROJECT SUPPORT PROPOSAL FOR PROVIDING DATA AND DATA DELIVERY PROTOCOLS TO THE RISK MANAGEMENT AGENCY (CESU)	\$189,246	\$0	\$189,246
Agr # 68-3A75-2-89 Mod 12	CONSERVATION PLANNING AND SOIL HYDROLOGICAL AND WATER	\$7,117	\$0	\$7,117

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FEDERAL GRANTOR LISTING**  
For the Year Ending June 30, 2008

<u>FEDERAL CFDA GRANT/CONTRACT NUMBER</u>	<u>NAME OF PROGRAM</u>	<u>STATE OF WEST VIRGINIA EXPENDITURES</u>	<u>TOTAL SUBRECIPIENT AWARDS EXPENDITURES</u>	<u>TOTAL FEDERAL</u>
AGR #68-3A75-2-89 MOD 6	MULTISCALE TERRAIN ANALYSIS	\$43,256	\$0	\$43,256
AGR #68-3A75-2-89 MOD 7	SOIL CATENA WATER DYNAMICS	\$69,002	\$22,498	\$91,500
NSF 06-CR-10062759- 439	RECREATION USE MONITORING	<u>\$204,356</u>	<u>\$187,737</u>	<u>\$392,093</u>
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF AGRICULTURE</u></b>	<b><u>\$357,092,204</u></b>	<b><u>\$91,047,834</u></b>	<b><u>\$448,140,038</u></b>
<b><u>DEPARTMENT OF COMMERCE</u></b>				
11.450	AUTOMATED FLOOD WARNING SYSTEMS (AFWS)	\$1,125	\$0	\$1,125
70NANB7H6074	SURF APPLICATIONS FOR WVU	<u>\$100</u>	<u>\$0</u>	<u>\$100</u>
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF COMMERCE</u></b>	<b><u>\$1,225</u></b>	<b><u>\$0</u></b>	<b><u>\$1,225</u></b>
<b><u>DEPARTMENT OF DEFENSE</u></b>				
12.113	STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	\$54,692	\$0	\$54,692
12.400	MILITARY CONSTRUCTION, NATIONAL GUARD	\$3,412,025	\$0	\$3,412,025
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	\$18,767,084	\$0	\$18,767,084
12.404	NATIONAL GUARD CIVILIAN YOUTH OPPORTUNITIES	\$2,632,284	\$0	\$2,632,284
84.815	TROOPS TO TEACHERS	\$7,236	\$0	\$7,236
DABT 60-96-C-0014	ROTC	\$15,000	\$0	\$15,000
DAHA 46-00-2-3031	DISTANCE LEARNING COOPERATIVE AGREEMENT	\$111,224	\$0	\$111,224
MOA908-02-M-6995	AUTONOM GROUND ROBOTIC VEHICLE PROGRAM	<u>\$1</u>	<u>\$0</u>	<u>\$1</u>
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF DEFENSE</u></b>	<b><u>\$24,999,546</u></b>	<b><u>\$0</u></b>	<b><u>\$24,999,546</u></b>
<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
14.110	MANUFACTURED HOME LOAN INSURANCE-FINANCING PURCHASE OF MANUFACTURED HOMES AS PRINCIPAL RESIDENCES OF BORROWERS	\$53,172	\$0	\$53,172
14.228	COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	\$813,383	\$19,090,916	\$19,904,299
14.231	EMERGENCY SHELTER GRANTS PROGRAM	\$74,522	\$899,471	\$973,993
14.235	SUPPORTIVE HOUSING PROGRAM	\$0	\$900	\$900
14.241	HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	\$20,568	\$700,738	\$721,306
14.246	COMMUNITY DEVELOPMENT BLOCK GRANTS/BROWNSFIELDS ECONOMIC DEVELOPMENT INITIATIVE	\$324,163	\$0	\$324,163
14.251	ECONOMIC DEVELOPMENT INITIATIVE-SPECIAL PROJECT, NEIGHBORHOOD INITIATIVE AND MISCELLANEOUS GRANTS	\$293,061	\$0	\$293,061
14.400	EQUAL OPPORTUNITY IN HOUSING	\$61,500	\$0	\$61,500
B-03-SP-WV-0880	RENOVATION OF LIBRARY AT POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY	\$285,530	\$0	\$285,530
WV15SPG310	AVIATION SPECIAL PURPOSE	<u>\$1,926</u>	<u>\$0</u>	<u>\$1,926</u>
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>	<b><u>\$1,927,825</u></b>	<b><u>\$20,692,025</u></b>	<b><u>\$22,619,850</u></b>
<b><u>DEPARTMENT OF THE INTERIOR</u></b>				
15.250	REGULATION OF SURFACE COAL MINING AND SURFACE EFFECTS OF UNDERGROUND COAL MINING	\$10,637,697	\$0	\$10,637,697

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FEDERAL GRANTOR LISTING**  
For the Year Ending June 30, 2008

<u>FEDERAL CFDA GRANT/CONTRACT NUMBER</u>	<u>NAME OF PROGRAM</u>	<u>STATE OF WEST VIRGINIA EXPENDITURES</u>	<u>TOTAL SUBRECIPIENT AWARDS EXPENDITURES</u>	<u>TOTAL FEDERAL</u>
15.252	ABANDONED MINE LAND RECLAMATION (AMLR) PROGRAM	\$15,341,024	\$3,136,509	\$18,477,533
15.615	COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	\$176,315	\$0	\$176,315
15.633	LANDOWNER INCENTIVE PROGRAM	\$33,602	\$0	\$33,602
15.634	STATE WILDLIFE GRANTS	\$334,048	\$0	\$334,048
15.808	U.S. GEOLOGICAL SURVEY-RESEARCH AND DATA COLLECTION	\$104,820	\$0	\$104,820
15.904	HISTORIC PRESERVATION FUND GRANTS-IN-AID	\$462,878	\$67,614	\$530,492
15.916	OUTDOOR RECREATION-ACQUISITION, DEVELOPMENT AND PLANNING	\$9,338	\$797,887	\$807,225
15.929	SAVE AMERICA'S TREASURES	\$17,729	\$0	\$17,729
NOTE 5E	FISH AND WILDLIFE CLUSTER	\$6,482,939	\$0	\$6,482,939
4000-8-9004	NATIONAL COAL HERITAGE AREA	\$62	\$69,396	\$69,458
50181-5-J034	CERULEAN WARBLER FOREST MANAGEMENT PROJECT	\$23,066	\$0	\$23,066
90-CSA-WV1-001 800/1015450/001	SHARE FACULTY OUTDOOR RECREATION RESEARCH & EDUCATION	\$4,961	\$0	\$4,961
H6000C02000 J3100070057	INCREASING WALKING AT THE C&O CANAL NATIONAL HISTORICAL PARK: AN INTERVENTION FOCUSED ON LOCAL EMPLOYEES (CESU)	\$26,524	\$0	\$26,524
J4160070401/H6000C 02000	CONTROL AND EVALUATION OF MORROW'S HONEYSUCKLE TO PROMOTE WOODCOCK AND OTHER WILDLIFE ON THE FORT NECESSITY NATIONAL BATTLEFIELD (CESU)	\$8,698	\$0	\$8,698
J4780070500/H6000C 02000	LONG-TERM HEMLOCK ECOSYSTEM MONITORING AT NEW RIVER AND GAULEY RIVER NATIONAL RECREATION AREA (CESU)	\$19,798	\$0	\$19,798
NERI A	SCAN, GOREFERENCE AND MOSAIC ARIAL PHOTOGRAPHY FOR THE NEW RIVER GORGE NATIONAL RIVER - ADMINISTRATION HISTORY	<u>\$666</u>	<u>\$0</u>	<u>\$666</u>
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF THE INTERIOR</u></b>	<b><u>\$33,684,165</u></b>	<b><u>\$4,071,406</u></b>	<b><u>\$37,755,571</u></b>
<b><u>DEPARTMENT OF JUSTICE</u></b>				
16.202	PRISONER REENTRY INITIATIVE DEMONSTRATION (OFFENDER REENTRY)	\$251,357	\$0	\$251,357
16.523	JUVENILE ACCOUNTABILITY BLOCK GRANTS	\$18,585	\$387,050	\$405,635
16.529	EDUCATION, TRAINING, AND ENHANCED SERVICES TO END VIOLENCE AGAINST AND ABUSE OF WOMEN WITH DISABILITIES	\$2,222	\$0	\$2,222
16.540	JUVENILE JUSTICE AND DELINQUENCY PREVENTION-ALLOCATION TO STATES	\$63,401	\$507,920	\$571,321
16.543	MISSING CHILDREN'S ASSISTANCE	\$25,126	\$38,999	\$64,125
16.548	TITLE V-DELINQUENCY PREVENTION PROGRAM	\$4,675	\$0	\$4,675
16.550	STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS CENTERS	\$38,931	\$0	\$38,931
16.554	NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	\$171,681	\$77,792	\$249,473
16.560	NATIONAL INSTITUTE OF JUSTICE RESEARCH, EVALUATION, AND DEVELOPMENT PROJECT GRANTS	\$3,159	\$78,507	\$81,666
16.564	CRIME LABORATORY IMPROVEMENT_COMBINED OFFENDER DNA INDEX SYSTEM BACKLOG REDUCTION	\$148,479	\$0	\$148,479
16.575	CRIME VICTIM ASSISTANCE	\$125,451	\$2,731,895	\$2,857,346
16.576	CRIME VICTIM COMPENSATION	\$255,069	\$0	\$255,069
16.579	EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	\$660,458	\$1,880,218	\$2,540,676
16.580	EDWARD BYRNE MEMORIAL STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE DISCRETIONARY GRANTS PROGRAM	\$252,679	\$0	\$252,679
16.585	DRUG COURT DISCRETIONARY GRANT PROGRAM	\$418,336	\$0	\$418,336
16.588	VIOLENCE AGAINST WOMEN FORMULA GRANTS	\$89,385	\$1,034,687	\$1,124,072
16.589	RURAL DOMESTIC VIOLENCE, DATING VIOLENCE, SEXUAL ASSAULT, AND STALKING ASSISTANCE PROGRAM	\$10,364	\$247,209	\$257,573
16.590	GRANTS TO ENCOURAGE ARREST POLICIES AND ENFORCEMENT OF PROTECTION ORDERS	\$20,169	\$0	\$20,169
16.593	RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	\$14	\$54,223	\$54,237

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FEDERAL GRANTOR LISTING**  
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<u>FEDERAL CFDA GRANT/CONTRACT NUMBER</u>	<u>NAME OF PROGRAM</u>	<u>STATE OF WEST VIRGINIA EXPENDITURES</u>	<u>TOTAL SUBRECIPIENT AWARDS EXPENDITURES</u>	<u>TOTAL FEDERAL</u>
16.602	CORRECTIONS-RESEARCH AND EVALUATION AND POLICY FORMULATION	\$393,748	\$0	\$393,748
16.607	BULLETPROOF VEST PARTNERSHIP PROGRAM	\$9,767	\$10,608	\$20,375
16.609	COMMUNITY PROSECUTION AND PROJECT SAFE NEIGHBORHOODS	\$19,856	\$80,614	\$100,470
16.612	NATIONAL WHITE COLLAR CRIME CENTER	\$3,192	\$9,648,717	\$9,651,909
16.710	PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	\$393,288	\$1,510,191	\$1,903,479
16.727	ENFORCING UNDERAGE DRINKING LAWS PROGRAM	\$16,802	\$290,319	\$307,121
16.734	SPECIAL DATA COLLECTIONS AND STATISTICAL STUDIES	\$2,532	\$0	\$2,532
16.744	ANTI-GANG INITIATIVE	\$10,849	\$109,142	\$119,991
2001100	MISCELLANEOUS JUSTICE PROGRAMS	\$190,601	\$0	\$190,601
2001HSWXK035	REGIONAL COMMUNITY POLICING INSTITUTE	\$69,293	\$0	\$69,293
2007-WA-AX-0001	UNIVERSITY COORDINATED COMMUNITY COUNCIL ON DOMESTIC VIOLENCE AT WVVSU	\$15,375	\$0	\$15,375
PL-106-170	SOCIAL SECURITY INMATE INCENTIVE	\$15,766	\$0	\$15,766
WV-1	EQUITABLE SHARING PROGRAM-JUSTICE	<u>\$147,955</u>	<u>\$0</u>	<u>\$147,955</u>
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF JUSTICE</u></b>	<b><u>\$3,848,565</u></b>	<b><u>\$18,688,091</u></b>	<b><u>\$22,536,656</u></b>
<b><u>DEPARTMENT OF LABOR</u></b>				
17.002	LABOR FORCE STATISTICS	\$775,044	\$0	\$775,044
17.005	COMPENSATION AND WORKING CONDITIONS	\$30,520	\$0	\$30,520
17.203	LABOR CERTIFICATION FOR ALIEN WORKERS	\$59,940	\$0	\$59,940
17.225	UNEMPLOYMENT INSURANCE - NOTE 4	\$152,066,823	\$0	\$152,066,823
17.235	SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	\$80,227	\$1,006,882	\$1,087,109
17.245	TRADE ADJUSTMENT ASSISTANCE	\$6,817,406	\$0	\$6,817,406
17.246	EMPLOYMENT AND TRAINING ASSISTANCE-DISLOCATED WORKERS	\$133,045	\$0	\$133,045
17.261	WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	\$374,900	\$0	\$374,900
17.266	WORK INCENTIVES GRANT	\$95,584	\$611,912	\$707,496
17.267	INCENTIVE GRANTS - WIA SECTION 503	\$131,783	\$219,574	\$351,357
17.504	CONSULTATION AGREEMENTS	\$431,620	\$0	\$431,620
17.600	MINE HEALTH AND SAFETY GRANTS	\$352,553	\$0	\$352,553
17.601	MINE HEALTH AND SAFETY COUNSELING AND TECHNICAL ASSISTANCE	\$56,036	\$50,165	\$106,201
17.999	MISCELLANEOUS LABOR PROGRAMS	\$384,485	\$0	\$384,485
NOTE 5F	EMPLOYMENT SERVICES CLUSTER	\$5,674,777	\$0	\$5,674,777
NOTE 5G	WIA CLUSTER	<u>\$1,662,579</u>	<u>\$14,431,024</u>	<u>\$16,093,603</u>
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF LABOR</u></b>	<b><u>\$169,127,322</u></b>	<b><u>\$16,319,557</u></b>	<b><u>\$185,446,879</u></b>
<b><u>DEPARTMENT OF STATE</u></b>				
1059-706027	VASEASHTA PROJECT	<u>\$67,255</u>	<u>\$0</u>	<u>\$67,255</u>
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF STATE</u></b>	<b><u>\$67,255</u></b>	<b><u>\$0</u></b>	<b><u>\$67,255</u></b>
<b><u>DEPARTMENT OF TRANSPORTATION</u></b>				
20.217	MOTOR CARRIER SAFETY	\$2,066,330	\$0	\$2,066,330
20.219	RECREATIONAL TRAILS PROGRAM	\$1,100,036	\$0	\$1,100,036
20.231	PERFORMANCE AND REGISTRATION INFORMATION SYSTEMS MANAGEMENT	\$10,794	\$0	\$10,794

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<u>FEDERAL CFDA GRANT/CONTRACT NUMBER</u>	<u>NAME OF PROGRAM</u>	<u>STATE OF WEST VIRGINIA EXPENDITURES</u>	<u>TOTAL SUBRECIPIENT AWARDS EXPENDITURES</u>	<u>TOTAL FEDERAL</u>
20.232	COMMERCIAL DRIVER LICENSE STATE PROGRAMS	\$278,004	\$0	\$278,004
20.505	FEDERAL TRANSIT METROPOLITAN PLANNING GRANTS	\$29,484	\$143,494	\$172,978
20.509	FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS	\$919,582	\$3,696,544	\$4,616,126
20.607	ALCOHOL OPEN CONTAINER REQUIREMENTS	\$2,404,778	\$0	\$2,404,778
20.608	MINIMUM PENALTIES FOR REPEAT OFFENDERS FOR DRIVING WHILE INTOXICATED	\$4,090,415	\$0	\$4,090,415
20.614	NATIONAL HIGHWAY TRANSPORTATION SAFETY ADMINISTRATION DISCRETIONARY SAFETY GRANTS	\$71,423	\$0	\$71,423
20.700	PIPELINE SAFETY PROGRAM BASE GRANTS	\$279,374	\$0	\$279,374
NOTE 5I	FEDERAL TRANSIT CLUSTER	\$4,630,561	\$1,115,604	\$5,746,165
NOTE 5J	TRANSIT SERVICES PROGRAMS CLUSTER	\$579,496	\$7,929	\$587,425
NOTE 5K	HIGHWAY SAFETY CLUSTER	\$2,244,179	\$2,217,300	\$4,461,479
DTNH2292Y070018	MISCELLANEOUS TRANSPORTATION PROGRAMS	(\$84)	\$0	(\$84)
F08-HS-10-108	TRAFFIC RECORDS INCENTIVE	\$26,395	\$0	\$26,395
F08-HS-10-DOT	MAY 2008 CLICK IT OR TICKET BLITZ	\$24,871	\$0	\$24,871
WV-03-0034-00	MORGANTOWN INTERMODAL TRANSIT AND PARKING FACILITY	<u>\$241,700</u>	<u>\$0</u>	<u>\$241,700</u>
<b><u>TOTAL DEPARTMENT OF TRANSPORTATION</u></b>		<b><u>\$18,997,338</u></b>	<b><u>\$7,180,871</u></b>	<b><u>\$26,178,209</u></b>
<b><u>DEPARTMENT OF THE TREASURY</u></b>				
21.999	JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003	\$0	\$186,313	\$186,313
WV-2	EQUITABLE SHARING PROGRAM-TREASURY	( <u>\$210</u> )	<u>\$0</u>	( <u>\$210</u> )
<b><u>TOTAL DEPARTMENT OF THE TREASURY</u></b>		<b><u>(\$210)</u></b>	<b><u>\$186,313</u></b>	<b><u>\$186,103</u></b>
<b><u>APPALACHIAN REGIONAL COMMISSION</u></b>				
23.002	APPALACHIAN AREA DEVELOPMENT	\$365,794	\$1,894,785	\$2,260,579
23.011	APPALACHIAN RESEARCH, TECHNICAL ASSISTANCE, AND DEMONSTRATION PROJECTS	\$234,599	\$175,407	\$410,006
WV114929413020127	GERMAN MARKET TRAVELER	\$17,731	\$0	\$17,731
WV114929413026127	GERMAN MARKET PROGRAM	<u>\$1,334</u>	<u>\$0</u>	<u>\$1,334</u>
<b><u>TOTAL APPALACHIAN REGIONAL COMMISSION</u></b>		<b><u>\$619,458</u></b>	<b><u>\$2,070,192</u></b>	<b><u>\$2,689,650</u></b>
<b><u>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u></b>				
30.001	EMPLOYMENT DISCRIMINATION-TITLE VII OF THE CIVIL RIGHTS ACT OF 1964	<u>\$288,568</u>	<u>\$0</u>	<u>\$288,568</u>
<b><u>TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u></b>		<b><u>\$288,568</u></b>	<b><u>\$0</u></b>	<b><u>\$288,568</u></b>
<b><u>GENERAL SERVICES ADMINISTRATION</u></b>				
39.003	DONATION OF FEDERAL SURPLUS PERSONAL PROPERTY	\$145,816	\$0	\$145,816
39.011	ELECTION REFORM PAYMENTS	<u>\$120,751</u>	<u>\$62,074</u>	<u>\$182,825</u>
<b><u>TOTAL GENERAL SERVICES ADMINISTRATION</u></b>		<b><u>\$266,567</u></b>	<b><u>\$62,074</u></b>	<b><u>\$328,641</u></b>
<b><u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u></b>				
43.001	AEROSPACE EDUCATION SERVICES PROGRAM (NOTE 3)	\$1,071,832	\$0	\$1,071,832

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43.002	TECHNOLOGY TRANSFER	<u>\$108,229</u>	<u>\$0</u>	<u>\$108,229</u>
<b><u>TOTAL</u></b>	<b><u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u></b>	<b><u>\$1,180,061</u></b>	<b><u>\$0</u></b>	<b><u>\$1,180,061</u></b>
<b><u>NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES</u></b>				
45.025	PROMOTION OF THE ARTS-PARTNERSHIP AGREEMENTS	\$263,829	\$228,818	\$492,647
45.310	GRANTS TO STATES	<u>\$1,566,636</u>	<u>\$162,122</u>	<u>\$1,728,758</u>
<b><u>TOTAL</u></b>	<b><u>NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES</u></b>	<b><u>\$1,830,465</u></b>	<b><u>\$390,940</u></b>	<b><u>\$2,221,405</u></b>
<b><u>NATIONAL SCIENCE FOUNDATION</u></b>				
47.075	SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES	\$1,288	\$0	\$1,288
47.076	EDUCATION AND HUMAN RESOURCES	\$319,279	\$2,569,740	\$2,889,019
47.077	ACADEMIC RESEARCH INFRASTRUCTURE	<u>\$24,379</u>	<u>\$0</u>	<u>\$24,379</u>
<b><u>TOTAL</u></b>	<b><u>NATIONAL SCIENCE FOUNDATION</u></b>	<b><u>\$344,946</u></b>	<b><u>\$2,569,740</u></b>	<b><u>\$2,914,686</u></b>
<b><u>SMALL BUSINESS ADMINISTRATION</u></b>				
59.037	SMALL BUSINESS DEVELOPMENT CENTERS	<u>\$464,289</u>	<u>\$0</u>	<u>\$464,289</u>
<b><u>TOTAL</u></b>	<b><u>SMALL BUSINESS ADMINISTRATION</u></b>	<b><u>\$464,289</u></b>	<b><u>\$0</u></b>	<b><u>\$464,289</u></b>
<b><u>DEPARTMENT OF VETERANS AFFAIRS</u></b>				
64.005	GRANTS TO STATES FOR CONSTRUCTION OF STATE HOME FACILITIES	\$153,491	\$0	\$153,491
64.015	VETERANS STATE NURSING HOME CARE	\$1,154,507	\$0	\$1,154,507
64.124	ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE	<u>\$173,171</u>	<u>\$0</u>	<u>\$173,171</u>
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF VETERANS AFFAIRS</u></b>	<b><u>\$1,481,169</u></b>	<b><u>\$0</u></b>	<b><u>\$1,481,169</u></b>
<b><u>ENVIRONMENTAL PROTECTION AGENCY</u></b>				
66.001	AIR POLLUTION CONTROL PROGRAM SUPPORT	\$1,306,855	\$0	\$1,306,855
66.032	STATE INDOOR RADON GRANTS	\$30,632	\$42,453	\$73,085
66.034	SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS, DEMONSTRATIONS, AND SPECIAL PURPOSE ACTIVITIES RELATING TO THE CLEAN AIR ACT	\$49,726	\$0	\$49,726
66.202	CONGRESSIONALLY MANDATED PROJECTS	\$41,322	\$0	\$41,322
66.419	WATER POLLUTION CONTROL STATE, INTERSTATE, AND TRIBAL PROGRAM SUPPORT	\$2,023,562	\$0	\$2,023,562
66.432	STATE PUBLIC WATER SYSTEM SUPERVISION	\$809,113	\$0	\$809,113
66.433	STATE UNDERGROUND WATER SOURCE PROTECTION	\$149,153	\$0	\$149,153
66.436	SURVEYS, STUDIES, INVESTIGATIONS, DEMONSTRATIONS, AND TRAINING GRANTS AND COOPERATIVE AGREEMENTS 104 (b) (3) OF THE CLEAN WATER ACT	\$83,721	\$0	\$83,721
66.438	CONSTRUCTION MANAGEMENT ASSISTANCE	\$51,416	\$0	\$51,416
66.454	WATER QUALITY MANAGEMENT PLANNING	\$180,608	\$0	\$180,608
66.458	CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS	\$0	\$27,577,316	\$27,577,316
66.460	NONPOINT SOURCE IMPLEMENTATION GRANTS	\$1,310,363	\$0	\$1,310,363
66.461	REGIONAL WETLAND PROGRAM DEVELOPMENT GRANTS	\$76,019	\$0	\$76,019

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<b>FEDERAL CFDA GRANT/CONTRACT NUMBER</b>	<b>NAME OF PROGRAM</b>	<b>STATE OF WEST VIRGINIA EXPENDITURES</b>	<b>TOTAL SUBRECIPIENT AWARDS EXPENDITURES</b>	<b>TOTAL FEDERAL</b>
66.463	WATER QUALITY COOPERATIVE AGREEMENTS	\$53,210	\$17,101	\$70,311
66.466	CHESAPEAKE BAY PROGRAM	\$253,125	\$10,000	\$263,125
66.467	WASTEWATER OPERATOR TRAINING GRANT PROGRAM (TECHNICAL ASSISTANCE)	\$15,393	\$36,453	\$51,846
66.468	CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUND	\$1,836,302	\$3,349,812	\$5,186,114
66.471	STATE GRANTS TO REIMBURSE OPERATORS OF SMALL WATER SYSTEMS FOR TRAINING AND CERTIFICATION COSTS	\$42,170	\$0	\$42,170
66.474	WATER PROTECTION GRANTS TO THE STATES	\$58,337	\$0	\$58,337
66.605	PERFORMANCE PARTNERSHIP GRANTS	\$307,341	\$0	\$307,341
66.606	SURVEYS, STUDIES, INVESTIGATIONS AND SPECIAL PURPOSE GRANTS	\$358,912	\$0	\$358,912
66.608	ENVIRONMENTAL INFORMATION EXCHANGE NETWORK GRANT PROGRAM AND RELATED ASSISTANCE	\$3,379	\$0	\$3,379
66.701	TOXIC SUBSTANCES COMPLIANCE MONITORING COOPERATIVE AGREEMENTS	\$122,068	\$0	\$122,068
66.707	TSCA TITLE IV STATE LEAD GRANTS-CERTIFICATION OF LEAD-BASED PAINT PROFESSIONALS	\$151,768	\$0	\$151,768
66.708	POLLUTION PREVENTION GRANTS PROGRAM	\$138,925	\$0	\$138,925
66.801	HAZARDOUS WASTE MANAGEMENT STATE PROGRAM SUPPORT	\$2,245,690	\$0	\$2,245,690
66.802	SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE SITE-SPECIFIC COOPERATIVE AGREEMENTS	\$681,888	\$0	\$681,888
66.804	STATE AND TRIBAL UNDERGROUND STORAGE TANKS PROGRAM	\$405,993	\$0	\$405,993
66.805	LEAKING UNDERGROUND STORAGE TANK TRUST FUND PROGRAM	\$649,617	\$0	\$649,617
66.809	SUPERFUND STATE AND INDIAN TRIBE CORE PROGRAM COOPERATIVE AGREEMENTS	\$284,880	\$0	\$284,880
66.815	BROWNFIELD JOB TRAINING COOPERATIVE AGREEMENTS	\$102,654	\$0	\$102,654
66.950	ENVIRONMENTAL EDUCATION AND TRAINING PROGRAM	\$5,960	\$0	\$5,960
CB-97327301-0	WRI-71-PERFORMANCE EVALUATION OF ADVANCED ONSITE WASTEWATER TREATMENT OPTIONS	\$28,292	\$0	\$28,292
WV-3	MISC. FEDERAL AWARD PROGRAMS	<u>\$602,796</u>	<u>\$0</u>	<u>\$602,796</u>
<b><u>TOTAL</u></b>	<b><u>ENVIRONMENTAL PROTECTION AGENCY</u></b>	<b><u>\$14,461,190</u></b>	<b><u>\$31,033,135</u></b>	<b><u>\$45,494,325</u></b>
<b><u>DEPARTMENT OF ENERGY</u></b>				
81.041	STATE ENERGY PROGRAM	\$307,293	\$301,110	\$608,403
81.042	WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	\$442,231	\$2,316,720	\$2,758,951
81.117	ENERGY EFFICIENCY AND RENEWABLE ENERGY INFORMATION DISSEMINATION, OUTREACH, TRAINING AND TECHNICAL ANALYSIS/ASSISTANCE	\$4,973	\$30,000	\$34,973
WV-4	PETROLEUM VIOLATION ESCROW FUNDS	<u>\$108,050</u>	<u>\$104,762</u>	<u>\$212,812</u>
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF ENERGY</u></b>	<b><u>\$862,547</u></b>	<b><u>\$2,752,592</u></b>	<b><u>\$3,615,139</u></b>
<b><u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>				
83.516	DISASTER ASSISTANCE	\$38,737	\$0	\$38,737
83.535	MITIGATION ASSISTANCE	<u>\$9,218</u>	<u>(\$80,877)</u>	<u>(\$71,659)</u>
<b><u>TOTAL</u></b>	<b><u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>	<b><u>\$47,955</u></b>	<b><u>(\$80,877)</u></b>	<b><u>(\$32,922)</u></b>
<b><u>DEPARTMENT OF EDUCATION</u></b>				
84.002	ADULT EDUCATION – BASIC GRANTS TO STATES	\$595,234	\$3,308,459	\$3,903,693
84.010	TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	\$906,935	\$91,172,834	\$92,079,769

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84.011	MIGRANT EDUCATION-STATE GRANT PROGRAM	(\$380)	\$2,046	\$1,666
84.013	TITLE I PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	\$390,711	\$42,275	\$432,986
84.031	HIGHER EDUCATION-INSTITUTIONAL AID	\$2,280,029	\$0	\$2,280,029
84.048	CAREER AND TECHNICAL EDUCATION-BASIC GRANTS TO STATES	\$3,299,434	\$5,538,466	\$8,837,900
84.069	LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	\$411,730	\$94,392	\$506,122
84.126	REHABILITATION SERVICES-VOCATIONAL REHABILITATION GRANTS TO STATES	\$16,790,255	\$341,968	\$17,132,223
84.128	REHABILITATION SERVICES-SERVICE PROJECTS	\$0	\$91,746	\$91,746
84.169	INDEPENDENT LIVING-STATE GRANTS	\$0	\$296,212	\$296,212
84.176	DOUGLAS TEACHER SCHOLARSHIPS	(\$2,275)	\$0	(\$2,275)
84.177	REHABILITATION SERVICES-INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND	\$69,862	\$51,415	\$121,277
84.181	SPECIAL EDUCATION - GRANTS FOR INFANTS AND FAMILIES	\$1,539,714	\$595,895	\$2,135,609
84.184	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES-NATIONAL PROGRAMS	\$220,531	\$0	\$220,531
84.185	BYRD HONORS SCHOLARSHIPS	\$0	\$197,896	\$197,896
84.186	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES-STATE GRANTS	\$86,990	\$2,392,852	\$2,479,842
84.187	SUPPORTED EMPLOYMENT SERVICES FOR INDIVIDUALS WITH SIGNIFICANT DISABILITIES	\$128,045	\$0	\$128,045
84.196	EDUCATION FOR HOMELESS CHILDREN AND YOUTH	\$35,933	\$320,532	\$356,465
84.213	EVEN START-STATE EDUCATIONAL AGENCIES	\$72,506	\$777,157	\$849,663
84.215	FUND FOR THE IMPROVEMENT OF EDUCATION	\$148,704	\$353,851	\$502,555
84.224	ASSISTIVE TECHNOLOGY	\$18,819	\$406,095	\$424,914
84.243	TECH-PREP EDUCATION	\$15,539	\$879,914	\$895,453
84.265	REHABILITATION TRAINING-STATE VOCATIONAL REHABILITATION UNIT IN-SERVICE TRAINING	\$86,890	\$0	\$86,890
84.286	READY TO TEACH	\$195,574	\$0	\$195,574
84.287	TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	\$308,982	\$7,492,434	\$7,801,416
84.293	FOREIGN LANGUAGE ASSISTANCE	\$50,436	\$9,581	\$60,017
84.298	STATE GRANTS FOR INNOVATIVE PROGRAMS	\$75,664	\$396,280	\$471,944
84.318	EDUCATION TECHNOLOGY STATE GRANTS	\$391,908	\$2,393,518	\$2,785,426
84.323	SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	\$332,910	\$352,983	\$685,893
84.325	SPECIAL EDUCATION - PERSONNEL DEVELOPMENT TO IMPROVE SERVICES AND RESULTS FOR CHILDREN WITH DISABILITIES	\$181,596	\$0	\$181,596
84.326	SPECIAL EDUCATION-TECHNICAL ASSISTANCE AND DISSEMINATION TO IMPROVE SERVICES AND RESULTS FOR CHILDREN WITH DISABILITIES	\$98,862	\$26,218	\$125,080
84.330	ADVANCED PLACEMENT PROGRAM	\$0	\$53,646	\$53,646
84.331	GRANTS TO STATES FOR INCARCERATED YOUTH OFFENDERS	\$102,748	\$0	\$102,748
84.332	COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	\$0	\$949,752	\$949,752
84.334	GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	\$5,100,257	\$872,868	\$5,973,125
84.348	TITLE 1 ACCOUNTABILITY GRANTS	(\$902)	\$0	(\$902)
84.350	TRANSITION TO TEACHING	\$61,670	\$0	\$61,670
84.357	READING FIRST STATE GRANTS	\$1,077,591	\$6,156,025	\$7,233,616
84.358	RURAL EDUCATION	\$174,086	\$4,300,820	\$4,474,906
84.365	ENGLISH LANGUAGE ACQUISITION GRANTS	\$156,171	\$291,946	\$448,117
84.366	MATHEMATICS AND SCIENCE PARTNERSHIPS	\$83,557	\$1,471,519	\$1,555,076
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	\$1,028,907	\$23,565,847	\$24,594,754
84.369	GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	\$1,822,259	\$0	\$1,822,259

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FEDERAL GRANTOR LISTING**  
For the Year Ending June 30, 2008

<u>FEDERAL CFDA GRANT/CONTRACT NUMBER</u>	<u>NAME OF PROGRAM</u>	<u>STATE OF WEST VIRGINIA EXPENDITURES</u>	<u>TOTAL SUBRECIPIENT AWARDS EXPENDITURES</u>	<u>TOTAL FEDERAL</u>
84.373	SPECIAL EDUCATION_TECHNICAL ASSISTANCE ON STATE DATA COLLECTION	\$15,612	\$0	\$15,612
NOTE 5L	SPECIAL EDUCATION CLUSTER	\$7,881,539	\$64,625,490	\$72,507,029
NOTE 5M	TRIO CLUSTER	\$4,855,553	\$0	\$4,855,553
159608	THE NETWORK GRANT	\$7,454	\$0	\$7,454
84.923	APPALACHIAN REGIONAL COMMISSION	\$37,751	\$0	\$37,751
84.928	NATIONAL WRITING PROJECT	\$37,665	\$0	\$37,665
CO-13764E	APPALACHIAN HIGHER EDUCATION NETWORK	\$5,986	\$0	\$5,986
ED-03-CO-0058	PERFORMANCE BASED DATA MANAGEMENT INITIATIVE	\$66,657	\$0	\$66,657
VA06	VETERAN'S CERTIFICATION	<u>\$2,431</u>	<u>\$0</u>	<u>\$2,431</u>
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF EDUCATION</u></b>	<b><u>\$51,248,130</u></b>	<b><u>\$219,822,932</u></b>	<b><u>\$271,071,062</u></b>
<b><u>ELECTION ASSISTANCE COMMISSION</u></b>				
90.401	HELP AMERICA VOTE ACT REQUIREMENTS PAYMENTS	<u>\$0</u>	<u>\$396,208</u>	<u>\$396,208</u>
<b><u>TOTAL</u></b>	<b><u>ELECTION ASSISTANCE COMMISSION</u></b>	<b><u>\$0</u></b>	<b><u>\$396,208</u></b>	<b><u>\$396,208</u></b>
<b><u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
93.041	SPECIAL PROGRAMS FOR THE AGING-TITLE VII, CHAPTER 3-PROGRAMS FOR PREVENTION OF ELDER ABUSE, NEGLECT, AND EXPLOITATION	\$690	\$42,115	\$42,805
93.042	SPECIAL PROGRAMS FOR THE AGING-TITLE VII, CHAPTER 2-LONG TERM CARE OMBUDSMAN SERVICES FOR OLDER INDIVIDUALS	\$85,650	\$4,800	\$90,450
93.043	SPECIAL PROGRAMS FOR THE AGING-TITLE III, PART D-DISEASE PREVENTION AND HEALTH PROMOTION SERVICES	\$0	\$134,685	\$134,685
93.048	SPECIAL PROGRAMS FOR THE AGING-TITLE IV AND TITLE II - DISCRETIONARY PROJECTS	\$1,769	\$226,393	\$228,162
93.051	ALZHEIMER'S DISEASE DEMONSTRATION GRANTS TO STATES	\$99,068	\$306,069	\$405,137
93.052	NATIONAL FAMILY CAREGIVER SUPPORT, TITLE III, PART E	\$33,646	\$1,068,476	\$1,102,122
93.069	PUBLIC HEALTH EMERGENCY PREPAREDNESS	\$1,666,115	\$2,770,004	\$4,436,119
93.103	FOOD AND DRUG ADMINISTRATION-RESEARCH	\$6,130	\$0	\$6,130
93.110	MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	\$167,698	\$85,073	\$252,771
93.116	PROJECT GRANTS AND COOPERATIVE AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	\$327,757	\$5,000	\$332,757
93.127	EMERGENCY MEDICAL SERVICES FOR CHILDREN	(\$305)	\$0	(\$305)
93.130	COOPERATIVE AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF PRIMARY CARE OFFICES	\$118,605	\$292,169	\$410,774
93.136	INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	\$20,961	\$262,986	\$283,947
93.150	PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	\$0	\$298,288	\$298,288
93.165	GRANTS TO STATES FOR LOAN REPAYMENT PROGRAM	\$0	\$185,146	\$185,146
93.197	CHILDHOOD LEAD POISONING PREVENTION PROJECTS-STATE AND LOCAL CHILDHOOD LEAD POISONING PREVENTION AND SURVEILLANCE OF BLOOD LEAD LEVELS IN CHILDREN	\$43,336	\$0	\$43,336
93.217	FAMILY PLANNING-SERVICES	\$2,117,081	\$0	\$2,117,081
93.234	TRAUMATIC BRAIN INJURY STATE DEMONSTRATION GRANT PROGRAM	\$5,787	\$113,006	\$118,793
93.235	ABSTINENCE EDUCATION PROGRAM	\$23,607	\$227,460	\$251,067
93.240	STATE CAPACITY BUILDING	\$101,865	\$0	\$101,865
93.241	STATE RURAL HOSPITAL FLEXIBILITY PROGRAM	\$157,603	\$475,494	\$633,097
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	\$104,016	\$2,735,378	\$2,839,394

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FEDERAL GRANTOR LISTING**  
For the Year Ending June 30, 2008

<u>FEDERAL CFDA GRANT/CONTRACT NUMBER</u>	<u>NAME OF PROGRAM</u>	<u>STATE OF WEST VIRGINIA EXPENDITURES</u>	<u>TOTAL SUBRECIPIENT AWARDS EXPENDITURES</u>	<u>TOTAL FEDERAL</u>
93.251	UNIVERSAL NEWBORN HEARING SCREENING	\$90,608	\$23,081	\$113,689
93.256	STATE PLANNING GRANTS HEALTH CARE ACCESS FOR THE UNINSURED	\$34,736	\$0	\$34,736
93.264	NURSE FACULTY LOAN PROGRAM (NFLP)	\$7,320	\$0	\$7,320
93.268	IMMUNIZATION GRANTS	\$1,081,001	\$1,060,731	\$2,141,732
93.283	CENTERS FOR DISEASE CONTROL AND PREVENTION- INVESTIGATIONS AND TECHNICAL ASSISTANCE	\$7,100,537	\$5,226,771	\$12,327,308
93.301	SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	\$578	\$312,921	\$313,499
93.389	NATIONAL CENTER FOR RESEARCH RESOURCES (NOTE 3)	\$388,268	\$0	\$388,268
93.556	PROMOTING SAFE AND STABLE FAMILIES	\$4,085,953	\$106,173	\$4,192,126
93.558	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$71,567,459	\$13,694,776	\$85,262,235
93.560	FAMILY SUPPORT PAYMENTS TO STATES-ASSISTANCE PAYMENTS	(\$32,288)	\$0	(\$32,288)
93.563	CHILD SUPPORT ENFORCEMENT	\$23,538,034	\$0	\$23,538,034
93.566	REFUGEE AND ENTRANT ASSISTANCE-STATE ADMINISTERED PROGRAMS	\$8,710	\$71,470	\$80,180
93.568	LOW-INCOME HOME ENERGY ASSISTANCE	\$21,425,337	\$51,000	\$21,476,337
93.569	COMMUNITY SERVICES BLOCK GRANT	\$468,753	\$6,770,363	\$7,239,116
93.586	STATE COURT IMPROVEMENT PROGRAM	\$279,414	\$0	\$279,414
93.590	COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	\$2	\$216,169	\$216,171
93.597	GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	\$94,200	\$0	\$94,200
93.599	CHAFEE EDUCATION AND TRAINING VOUCHERS PROGRAM (ETV)	\$384,339	\$0	\$384,339
93.600	HEAD START	\$243	\$161,054	\$161,297
93.603	ADOPTION INCENTIVE PAYMENTS	\$89,000	\$0	\$89,000
93.630	DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	\$270,366	\$336,196	\$606,562
93.643	CHILDREN'S JUSTICE GRANTS TO STATES	\$0	\$116,745	\$116,745
93.645	CHILD WELFARE SERVICES-STATE GRANTS	\$1,833,689	\$0	\$1,833,689
93.658	FOSTER CARE-TITLE IV-E	\$25,885,685	\$1,436,446	\$27,322,131
93.659	ADOPTION ASSISTANCE	\$13,716,084	\$0	\$13,716,084
93.667	SOCIAL SERVICES BLOCK GRANT	\$10,289,955	\$0	\$10,289,955
93.669	CHILD ABUSE AND NEGLECT STATE GRANTS	\$2,779	\$123,342	\$126,121
93.671	FAMILY VIOLENCE PREVENTION AND SERVICES/GRANTS FOR BATTERED WOMEN'S SHELTERS-GRANTS TO STATES AND INDIAN TRIBES	\$0	\$933,394	\$933,394
93.674	CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	\$336,148	\$535,311	\$871,459
93.767	STATE CHILDREN'S INSURANCE PROGRAM	\$35,542,703	\$0	\$35,542,703
93.768	MEDICAID INFRASTRUCTURE GRANTS TO SUPPORT THE COMPETITIVE EMPLOYMENT OF PEOPLE WITH DISABILITIES	\$2,670	\$466,427	\$469,097
93.779	CENTERS FOR MEDICARE AND MEDICAID SERVICES (CMS) RESEARCH, DEMONSTRATIONS AND EVALUATIONS	\$131,810	\$288,118	\$419,928
93.793	MEDICAID TRANSFORMATION GRANTS	\$932,115	\$47,264	\$979,379
93.824	BASIC/CORE AREA HEALTH EDUCATION CENTERS	\$212,156	\$0	\$212,156
93.887	HEALTH CARE AND OTHER FACILITIES	\$7,507,217	\$30,102	\$7,537,319
93.889	NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	\$797,303	\$2,772,767	\$3,570,070
93.913	GRANTS TO STATES FOR OPERATION OF OFFICES OF RURAL HEALTH	\$124,700	\$8,800	\$133,500
93.917	HIV CARE FORMULA GRANTS	\$1,867,833	\$446,021	\$2,313,854
93.926	HEALTHY START INITIATIVE (NOTE 3)	\$277,610	\$0	\$277,610
93.938	COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	\$960,507	\$25,302	\$985,809
93.940	HIV PREVENTION ACTIVITIES-HEALTH DEPARTMENT BASED	\$837,734	\$841,057	\$1,678,791

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FEDERAL GRANTOR LISTING**  
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<u>FEDERAL CFDA GRANT/CONTRACT NUMBER</u>	<u>NAME OF PROGRAM</u>	<u>STATE OF WEST VIRGINIA EXPENDITURES</u>	<u>TOTAL SUBRECIPIENT AWARDS EXPENDITURES</u>	<u>TOTAL FEDERAL</u>
93.944	HUMAN IMMUNODEFICIENCY VIRUS (HIV)/ACQUIRED IMMUNODEFICIENCY VIRUS SYNDROME (AIDS) SURVEILLANCE	\$184,037	\$0	\$184,037
93.945	ASSISTANCE PROGRAMS FOR CHRONIC DISEASE PREVENTION AND CONTROL	\$4,578	\$409,680	\$414,258
93.946	COOPERATIVE AGREEMENTS TO SUPPORT STATE-BASED SAFE MOTHERHOOD AND INFANT HEALTH INITIATIVE PROGRAMS	\$111,675	\$0	\$111,675
93.958	BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	\$503,000	\$1,913,148	\$2,416,148
93.959	BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	\$551,955	\$7,829,156	\$8,381,111
93.965	COAL MINERS RESPIRATORY IMPAIRMENT TREATMENT CLINICS AND SERVICES	\$98,265	\$1,063,945	\$1,162,210
93.969	GERIATRIC EDUCATION CENTERS	\$15,185	\$0	\$15,185
93.977	PREVENTIVE HEALTH SERVICES-SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	\$792,674	\$0	\$792,674
93.988	COOPERATIVE AGREEMENTS FOR STATE-BASED DIABETES CONTROL PROGRAMS AND EVALUATION OF SURVEILLANCE SYSTEMS	\$280,677	\$611,311	\$891,988
93.991	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	\$285,104	\$570,815	\$855,919
93.994	MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	\$3,991,733	\$1,227,095	\$5,218,828
NOTE 5N	AGING CLUSTER	\$302,826	\$9,475,465	\$9,778,291
NOTE 5O	CCDF CLUSTER	\$20,738,135	\$9,443,101	\$30,181,236
NOTE 5P	MEDICAID CLUSTER	\$1,692,032,148	\$3,806,879	\$1,695,839,027
03IPA06900 MOD 3	FEKDEUEGN INTERGOVERNMENTAL PERSONNEL ACT	\$7,969	\$0	\$7,969
050805WV5002	WAIVED LABS	\$3,849	\$0	\$3,849
0805WV5002	CLINICAL LABORATORY IMPROVEMENT AMENDMENTS	\$129,621	\$0	\$129,621
20020507251	VITAL STATISTICS COOP PROGRAM	\$68,706	\$0	\$68,706
200540049P	FOOD INSPECTIONS	\$19,287	\$0	\$19,287
223024448	MAMMOGRAPHY QUALITY ACT	\$69,158	\$0	\$69,158
93.293	NATIONAL CENTER FOR CHRONIC DISEASE PREV AND HEALTH PROMO-IMPROVING HEALTH AND EDUCATIONAL OUTCOMES OF YOUNG PEOPLE	\$50,428	(\$500)	\$49,928
AGR #05IPA06901	LI INTERGOVERNMENTAL PERSONNEL ACT	\$66,090	\$0	\$66,090
HHSF223200640090P/001	FEDERAL FOOD, DRUG AND COSMETIC ACT	\$2,436	\$0	\$2,436
HHSP23320074107EC	NATIONAL HEALTH INFORMATION NETWORK II (NHIN2)	\$415,222	\$0	\$415,222
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>	<b><u>\$1,957,947,105</u></b>	<b><u>\$81,684,438</u></b>	<b><u>\$2,039,631,543</u></b>
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>				
94.002	RETIRED AND SENIOR VOLUNTEER PROGRAM	\$0	\$24,944	\$24,944
94.003	STATE COMMISSIONS	\$125,780	\$0	\$125,780
94.004	LEARN AND SERVE AMERICA-SCHOOL AND COMMUNITY BASED PROGRAMS	\$142,273	\$280,895	\$423,168
94.006	AMERICORPS	\$302,432	\$2,584,957	\$2,887,389
94.007	PLANNING AND PROGRAM DEVELOPMENT GRANTS	\$25,780	\$35,987	\$61,767
94.009	TRAINING AND TECHNICAL ASSISTANCE	\$111,620	\$13,625	\$125,245
94.013	VOLUNTEERS IN SERVICE TO AMERICA	\$42,021	\$0	\$42,021
<b><u>TOTAL</u></b>	<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>	<b><u>\$749,906</u></b>	<b><u>\$2,940,408</u></b>	<b><u>\$3,690,314</u></b>
<b><u>SOCIAL SECURITY ADMINISTRATION</u></b>				
96.008	SOCIAL SECURITY: WORK INCENTIVES PLANNING AND ASSISTANCE PROGRAM	\$5,288	\$249,397	\$254,685

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FEDERAL GRANTOR LISTING**  
For the Year Ending June 30, 2008

<u>FEDERAL CFDA GRANT/CONTRACT NUMBER</u>	<u>NAME OF PROGRAM</u>	<u>STATE OF WEST VIRGINIA EXPENDITURES</u>	<u>TOTAL SUBRECIPIENT AWARDS EXPENDITURES</u>	<u>TOTAL FEDERAL</u>
NOTE 5Q	DISABILITY INSURANCE/SSI CLUSTER	\$17,015,146	\$0	\$17,015,146
55000660056	DEATH RECORDS	\$42,518	\$0	\$42,518
SS000860067	ENUMERATION AT BIRTH	<u>\$22,995</u>	<u>\$0</u>	<u>\$22,995</u>
<b><u>TOTAL</u></b>	<b><u>SOCIAL SECURITY ADMINISTRATION</u></b>	<u>\$17,085,947</u>	<u>\$249,397</u>	<u>\$17,335,344</u>
<b><u>DEPARTMENT OF HOMELAND SECURITY</u></b>				
97.012	BOATING SAFETY FINANCIAL ASSISTANCE	\$296,124	\$0	\$296,124
97.017	PRE-DISASTER MITIGATION (PDM) COMPETITIVE GRANTS	\$84,202	\$872,463	\$956,665
97.023	COMMUNITY ASSISTANCE PROGRAM-STATE SUPPORT SERVICES ELEMENT (CAP-SSSE)	\$32,738	\$0	\$32,738
97.029	FLOOD MITIGATION ASSISTANCE	\$973	\$188,464	\$189,437
97.036	DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	\$1,687,977	\$2,315,046	\$4,003,023
97.041	NATIONAL DAM SAFETY PROGRAM	\$220,154	\$0	\$220,154
97.050	PRESIDENTIAL DECLARED DISASTER ASSISTANCE TO INDIVIDUALS AND HOUSEHOLDS_ OTHER NEEDS	(\$633)	\$32,662	\$32,029
97.068	COMPETITIVE TRAINING GRANTS	\$0	\$298,000	\$298,000
97.070	MAP MODERNIZATION MANAGEMENT SUPPORT	\$134,282	\$0	\$134,282
97.078	BUFFER ZONE PROTECTION PROGRAM (BZPP)	\$13,616	\$204,650	\$218,266
NOTE 5R	HOMELAND SECURITY CLUSTER	\$4,787,488	\$11,434,958	\$16,222,446
3031036218	IMMIGRATION CUSTOMS ENFORCEMENT	<u>\$1,758</u>	<u>\$0</u>	<u>\$1,758</u>
<b><u>TOTAL</u></b>	<b><u>DEPARTMENT OF HOMELAND SECURITY</u></b>	<u>\$7,258,679</u>	<u>\$15,346,243</u>	<u>\$22,604,922</u>
NOTE 5H	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	\$383,860,709	\$11,311,705	\$395,172,414
NOTE 5S	STUDENT FINANCIAL ASSISTANCE PROGRAMS	\$423,939,204	\$0	\$423,939,204
NOTE 5T	RESEARCH AND DEVELOPMENT CLUSTER	<u>\$4,155,717</u>	<u>\$0</u>	<u>\$4,155,717</u>
<b><u>TOTAL</u></b>	<b><u>MULTIPLE FEDERAL AGENCY CLUSTERS</u></b>	<u>\$811,955,630</u>	<u>\$11,311,705</u>	<u>\$823,267,335</u>
<b><u>TOTAL</u></b>	<b><u>EXPENDITURES OF FEDERAL AWARDS</u></b>	<u>\$3,478,375,708</u>	<u>\$528,735,224</u>	<u>\$4,007,110,932</u>

**STATE OF WEST VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 1. BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards (the Schedule) has been prepared on the cash basis of accounting except for the federal awards expended from the U.S. Department of Transportation, which are presented on the accrual basis. The federal awards are listed in the schedule under the federal agency supplying the award. The individual Catalog of Federal Domestic Assistance (CFDA) numbers are listed first, then clusters, then federal contract numbers, and then state assigned numbers. Federal contract numbers are used if the CFDA number is not available. Numbers were assigned to awards that had no identifying numbers as listed in Note 7.

The Schedule includes noncash items such as Food Stamps (CFDA number 10.551), State Administrative Expense for Child Nutrition (CFDA number 10.560), and Donation of Federal Surplus Personal Property (CFDA number 39.003). All items are valued based on amounts as established by the federal grantor agency. The Schedule also includes Federal Family Education Loans (CFDA number 84.032) and Federal Direct Student Loans (Direct Loan) (CFDA number 84.268) that are made directly to individual students.

**NOTE 2. REPORTING ENTITY**

The Schedule includes various departments, agencies, boards and commissions governed by the legislature, judiciary and/or constitutional officers of the State of West Virginia (the State). The reporting entity also includes the State's institutions of public higher education. Certain institutions of higher education within the State maintain separate research corporations. These corporations receive

**STATE OF WEST VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 2. REPORTING ENTITY (Continued)**

various federal awards for research and development and other programs. Each of the research corporations has a separate audit performed in accordance with OMB Circular A-133, and accordingly, a separate A-133 submission has been made (see Note 6).

The Schedule does not include federal funds received and expended by independent authorities and other organizations included in the reporting entity under the criteria of the Governmental Accounting Standards Board, as described in Note 1 to the State's basic financial statements published in the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. The West Virginia Housing Development Fund and the West Virginia Educational Broadcasting Authority and Affiliates, which are discretely presented component units, elect to have their own single audit; therefore, their expenditures of federal awards are excluded from the State's schedule of expenditures of federal awards. These component units are required to submit their own single audit report to the federal audit clearinghouse.

**NOTE 3. INDIRECT/PASS-THROUGH FEDERAL FUNDS**

The United States Office of Drug Control Policy provides funds to the Laurel County Fiscal Court of London, Kentucky. A portion of these funds are passed through from the Fiscal Court to the State.

The West Virginia Research Corporation passed funds to the West Virginia Department of Health and Human Services for CFDA Number 93.926 and to Fairmont State University for CFDA Numbers 43.001 and 93.389.

**STATE OF WEST VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 4. UNEMPLOYMENT INSURANCE PROGRAM (UI)  
(CFDA NUMBER 17.225)**

The U.S. Department of Labor, in consultation with the Office of Management and Budget officials, has determined that for the purpose of audits and reporting under OMB Circular A-133, state UI funds as well as federal funds should be considered federal awards for determining Type A programs. The State receives federal funds for administrative purposes. State unemployment taxes must be deposited to a state account in the Federal Unemployment Trust Fund, used only to pay benefits under the federally approved state law. State UI funds as well as federal funds are included on the Schedule. The following schedule provides a breakdown of the state and federal portions of the total expended under CFDA number 17.225:

	<u>Beginning Balance</u> <u>July 1, 2007</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Balance</u> <u>June 30, 2008</u>
State UI Funds	\$ 1,250,291	\$139,701,242	\$140,012,743	\$ 938,790
Federal UI Funds	<u>2,697,158</u>	<u>10,525,964</u>	<u>12,054,080</u>	<u>1,169,042</u>
Total	<u>\$ 3,947,449</u>	<u>\$150,227,206</u>	<u>\$152,066,823</u>	<u>\$2,107,832</u>

**NOTE 5. PROGRAM CLUSTERS**

The following tables detail program clusters referred to in the Schedule. As noted below, the Highway Planning and Construction, Student Financial Assistance, and Research and Development clusters have CFDA's involving awards from multiple federal agencies. The respective federal agency amount by CFDA for these clusters is disclosed in this note. For presentation purposes in the Schedule, these multiple federal agency clusters are presented at the end of the Schedule.

**STATE OF WEST VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 5. PROGRAM CLUSTERS (Continued)**

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Name of Program</u>	<u>Total Expenditures</u>
<b>(A) Food Stamp Cluster</b>			
USDA	10.551	Food Stamps	\$293,439,000
	10.561	State Administrative Matching Grants for Food Stamp Program	<u>15,600,667</u>
		<b>Total Food Stamp Cluster</b>	<u><u>\$309,039,667</u></u>
<b>(B) Child Nutrition Cluster</b>			
USDA	10.553	School Breakfast Program (SBP)	\$17,305,044
	10.555	National School Lunch Program (NSLP)	47,911,522
	10.556	Special Milk Program for Children (SMP)	38,472
	10.559	Summer Food Service Program for Children (SFSPC)	<u>1,667,896</u>
		<b>Total Child Nutrition Cluster</b>	<u><u>\$66,922,934</u></u>
<b>(C) Emergency Food Assistance Cluster</b>			
USDA	10.568	Emergency Food Assistance Program (Administrative Costs)	<u>\$1,647,572</u>
		<b>Total Emergency Food Assistance Cluster</b>	<u><u>\$1,647,572</u></u>
<b>(D) Schools and Roads Cluster</b>			
USDA	10.665	Schools and Roads--Grants to States	<u>\$2,551,658</u>
		<b>Total Schools and Roads Cluster</b>	<u><u>\$2,551,658</u></u>

**STATE OF WEST VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 5. PROGRAM CLUSTERS (Continued)**

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Name of Program</u>	<u>Total Expenditures</u>
<b>(E) Fish and Wildlife Cluster</b>			
DOI	15.605	Sport Fish Restoration	\$3,212,502
	15.611	Wildlife Restoration	<u>3,270,437</u>
		<b>Total Fish and Wildlife Cluster</b>	<u>\$6,482,939</u>
<b>(F) Employment Services Cluster</b>			
DOL	17.207	Employment Service	\$4,999,640
	17.801	Disabled Veterans' Outreach Program (DVOP)	209,935
	17.804	Local Veterans' Employment Representative Program	<u>465,202</u>
		<b>Total Employment Services Cluster</b>	<u>\$5,674,777</u>
<b>(G) WIA Cluster</b>			
DOL	17.258	WIA Adult Program	\$ 4,957,911
	17.259	WIA Youth Activities	4,968,915
	17.260	WIA Dislocated Workers	<u>6,166,777</u>
		<b>Total WIA Cluster</b>	<u>\$16,093,603</u>
<b>(H) Highway Planning and Construction Cluster</b>			
DOT	20.205	Highway Planning and Construction	\$317,961,748
ARC	23.003	Appalachian Development Highway System	<u>77,210,666</u>
		<b>Total Highway Planning and Construction Cluster</b>	<u>\$395,172,414</u>

**STATE OF WEST VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 5. PROGRAM CLUSTERS (Continued)**

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Name of Program</u>	<u>Total Expenditures</u>
<b>(I) Federal Transit Cluster</b>			
DOT	20.500	Federal Transit Capital Improvement Grants	\$5,746,165
<b>Total Federal Transit Cluster</b>			<u>\$5,746,165</u>
<b>(J) Transit Services Programs Cluster</b>			
DOT	20.513	Capital Assistance Programs for Elderly Persons and Persons with Disabilities	\$559,958
	20.516	Job Access Reverse Commute	<u>27,467</u>
<b>Total Transit Services Program Cluster</b>			<u>\$587,425</u>
<b>(K) Highway Safety Cluster</b>			
DOT	20.600	State and Community Highway Safety	\$2,766,862
	20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	469,140
	20.604	Safety Incentive Grants for Use of Seatbelts	90,563
	20.610	Safety Traffic Information System Improvement Grants	42,294
	20.611	Incentive Grant Program to Prohibit Racial Profiling	828,801
	20.612	Incentive Grant Program to Increase Motorcycle Safety	100,000
	20.613	Child Safety and Child Booster Seats Incentive Grants	<u>163,819</u>
<b>Total Highway Safety Cluster</b>			<u>\$4,461,479</u>

**STATE OF WEST VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 5. PROGRAM CLUSTERS (Continued)**

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Name of Program</u>	<u>Total Expenditures</u>
<b>(L) Special Education Cluster</b>			
ED	84.027	Special Education - Grants to States (IDEA, Part B)	\$68,936,132
	84.173	Special Education - Preschool Grants (IDEA Preschool)	<u>3,570,897</u>
		<b>Total Special Education Cluster</b>	<b><u>\$72,507,029</u></b>
<b>(M) TRIO Cluster</b>			
ED	84.042	TRIO - Student Support Services	\$1,920,728
	84.044	TRIO - Talent Search	218,003
	84.047	TRIO - Upward Bound	1,936,097
	84.066	TRIO - Educational Opportunity Centers	301,309
	84.217	TRIO - McNair Post-Baccalaureate Achievement	<u>479,416</u>
		<b>Total TRIO Cluster</b>	<b><u>\$4,855,553</u></b>
<b>(N) Aging Cluster</b>			
DHHS	93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	\$2,853,133
	93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	5,323,295
	93.053	Nutrition Services Incentive Program	<u>1,601,863</u>
		<b>Total Aging Cluster</b>	<b><u>\$9,778,291</u></b>

**STATE OF WEST VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 5. PROGRAM CLUSTERS (Continued)**

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Name of Program</u>	<u>Total Expenditures</u>
<b>(O) CCDF Cluster</b>			
DHHS	93.575	Child Care and Development Block Grant	\$12,931,953
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	<u>17,249,283</u>
		<b>Total CCDF</b>	<u>\$30,181,236</u>
<b>(P) Medicaid Cluster</b>			
DHHS	93.775	State Medicaid Fraud Control Units	\$ 700,098
	93.777	State Survey and Certification of Health Care Providers and Suppliers	2,706,543
	93.778	Medical Assistance Program (Medicaid)	<u>1,692,432,386</u>
		<b>Total Medicaid Cluster</b>	<u>\$1,695,839,027</u>
<b>(Q) Disability Insurance/SSI Cluster</b>			
SSA	96.001	Social Security - Disability Insurance	<u>\$17,015,146</u>
		<b>Total Disability Insurance/SSI Cluster</b>	<u>\$17,015,146</u>
<b>(R) Homeland Security Cluster</b>			
DHS	97.004	2004 State Domestic Preparedness Equipment Support Program	\$ 3,176,183
	97.042	2004 Emergency Management Performance Grants	2,267,456
	97.067	Homeland Security Grant Program	<u>10,778,807</u>
		<b>Total Homeland Security Cluster</b>	<u>\$16,222,446</u>

**STATE OF WEST VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 5. PROGRAM CLUSTERS (Continued)**

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Name of Program</u>	<u>Total Expenditures</u>
<b>(S) Student Financial Assistance Cluster</b>			
ED	84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)	\$ 3,088,990
	84.032	Federal Family Education Loans	64,068,812
	84.033	Federal Work - Study Program (FWS)	3,825,653
	84.038	Federal Perkins Loan Program - Federal Capital Contributions (Perkins)	4,724,587
	84.063	Federal Pell Grant Program	74,936,992
	84.268	Federal Direct Student Loans (Direct Loan)	269,433,747
	84.375	Academic Competitiveness Grants	1,233,283
	84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants	<u>1,118,235</u>
		Subtotal Department of Education	<u>422,430,299</u>
DHHS	93.342	Health Professions Student Loans (HPSL), Including Primary Care Loans/Loans for Disadvantaged Students	60,886
	93.364	Nursing Student Loans (NSL)	1,235,406
	93.925	Scholarships for the Health Professions Students from Disadvantaged Backgrounds	<u>212,613</u>
		Subtotal Department of Health and Human Services	<u>1,508,905</u>
		<b>Total Student Financial Assistance Cluster (Expenditures Only)</b>	<b><u>423,939,204</u></b>

**STATE OF WEST VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 5. PROGRAM CLUSTERS (Continued)**

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Name of Program</u>	<u>Total Expenditures</u>
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**(S) Student Financial Assistance Cluster (Continued)**

Loans outstanding, with continuing compliance requirements, are as follows:

84.038	Perkins	47,658,546
93.342	HPSL	5,584,080
93.364	NSL	<u>462,227</u>

	<u>53,704,853</u>
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<b>Total Student Financial Assistance Cluster</b>	<u><u>\$477,644,057</u></u>
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<u>Federal CFDA Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal Expenditures</u>
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**(T) Research and Development Cluster****Department of Agriculture**

10.202	Cooperative Forestry Research	\$ 520,555
10.203	Payments to Agricultural Experiment Station Under the Hatch Act	3,410,847
10.207	Animal Health and Disease Research	<u>9,143</u>

<b>Total Department of Agriculture</b>	<u>3,940,545</u>
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**Department of Energy**

81.089	Fossil Energy Research and Development	<u>215,172</u>
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<b>Total Department of Energy</b>	<u>215,172</u>
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<b>Total Research and Development Cluster</b>	<u><u>\$4,155,717</u></u>
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**STATE OF WEST VIRGINIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 6. RESEARCH CORPORATIONS**

The following is a summary of federal awards at the various research corporations that had separate OMB Circular A-133 audits and submissions. These awards have been excluded from the State's Schedule.

West Virginia University Research Corporation (Issued by Deloitte & Touche LLP dated October 31, 2008)	<u>\$102,339,955</u>
Marshall University Research Corporation (Issued by Deloitte & Touche LLP dated September 12, 2008)	<u>\$ 28,738,498</u>
West Virginia State Research Corporation (Issued by Hayflich & Steinberg LLC dated October 9, 2008)	<u>\$ 7,760,364</u>

**NOTE 7. MISCELLANEOUS PROGRAMS**

The following numeric references indicate that no CFDA number was available for publication. These expenditure amounts consist of numerous small grants. The individual grant information is not readily available. Therefore, a reference WV plus sequenced numbering is assigned for identification purposes.

<u>Reference Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Federal Agency</u>
WV-1	Equitable Sharing Program	Division of Public Safety	Department of Justice
WV-2	Equitable Sharing Program	Division of Public Safety	Department of the Treasury
WV-3	Miscellaneous Federal Awards Program	Department of Environmental Protection	Environmental Protection Agency
WV-4	Petroleum Violation Escrow Funds	Development Office, West Virginia University, and Department of Energy	Department of Energy



**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**Part I. Summary of Auditor's Results**

**Financial Statements:**

Type of auditors' report issued:	Unqualified, with reliance on other auditors		
Internal control over financial reporting:			
Material weaknesses identified?	<u>  X  </u>	Yes	<u>      </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u>  X  </u>	Yes	<u>      </u> N/A
Noncompliance material to financial statements noted?	<u>  X  </u>	Yes	<u>      </u> No

**Federal Awards:**

Internal control over major programs:			
Material weaknesses identified?	<u>  X  </u>	Yes	<u>      </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u>  X  </u>	Yes	<u>      </u> N/A
Type of auditors' report issued on compliance for major programs:	Unqualified for all major programs except for the Title I Grants to Local Educational Agencies, Improving Teacher Quality State Grants, Homeland Security Cluster, Special Education Cluster, Disaster Grants – Public Assistance (Presidentially Declared Disasters), Twenty-First Century Community Learning Centers, and Centers for Disease Control and Prevention – Investigations and Technical Assistance, which were qualified.		
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?	<u>  X  </u>	Yes	<u>      </u> No

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**Identification of Major Programs**

CFDA Number(s)	Reportable Findings	Name of Federal Program or Cluster
<b>Audited by Ernst &amp; Young:</b>		
10.551/10.561	2008-32, 55, 56	Food Stamps Cluster
10.553/10.555/10.556/ 10.559	None	Child Nutrition Cluster
10.557	2008-33	Special Supplemental Nutrition Program for Women, Infants and Children
10.558	None	Child and Adult Care Food Program
14.228	None	Community Development Block Grants/ State Programs
15.605/15.611	2008-34	Fish and Wildlife Cluster
17.258/17.259/17.260	2008-35, 36, 37	WIA Cluster
84.007/84.032/84.033/ 84.038/84.063/84.268/ 83.375/83.376/93.342/ 93.364/93.925	2008-44, 45, 46, 47, 48	Student Financial Assistance Programs Cluster
84.010	2008-49	Title I Grants to Local Educational Agencies
84.027/84.173	2008-49	Special Education Cluster
84.287	2008-49, 50	Twenty-First Century Community Learning Centers
84.367	2008-49	Improving Teacher Quality State Grants
93.283	2008-51, 52, 53	Centers for Disease Control and Prevention – Investigations and Technical Assistance
93.558	2008-54, 55, 56	Temporary Assistance for Needy Families
93.563	2008-57, 58	Child Support Enforcement
93.568	2008-55, 56, 59, 60	Low-Income Home Energy Assistance
93.575/93.596	2008-55, 56, 61, 62	CCDF Cluster
93.658	2008-55, 56, 63	Foster Care—Title IV–E
93.659	2008-55, 56, 64	Adoption Assistance
93.667	None	Social Services Block Grant
93.767	2008-55, 56, 65	State Children’s Insurance Program
93.775/93.777/93.778	2008-55, 56, 66, 67	Medicaid Cluster
93.887	2008-68	Health Care and Other Facilities
97.036	2008-38*, 39*, 69	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.004/97.042/ 97.067	2008-70	Homeland Security Cluster

\*Audited by other auditors in conjunction with their audit of the Highway Planning and Construction program

<b>Audited by other auditors:</b>		
20.205/23.003	2008-38, 39, 40, 41, 42, 43	Highway Planning and Construction Cluster
66.458	None	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and B programs \$ \$12,021,333

Auditee qualified as low-risk auditee \_\_\_\_\_ Yes   X   No

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**Part II. Financial Statement Findings Section**

<b>Reference Number</b>	<b>Findings</b>	<b>Questioned Costs</b>
2008-1	Tax Revenue IT Controls and Related Receivables	N/A
2008-2	IT Process Controls Review	N/A
2008-3	Inventory	N/A
2008-4	Information System Controls	N/A
2008-5	New System Implementation and Other Matters	N/A
2008-6	Postemployment Obligation (OPEB)	N/A
2008-7	Capital Assets	N/A
2008-8	Environmental Liabilities	N/A
2008-9	Hospital Receivables	N/A
2008-10	Financial Reporting*	N/A
2008-11	Segregation of Duties – Overtime Payroll Review and Approval*	N/A
2008-12	Financial Reporting*	N/A
2008-13	Segregation of Duties*	N/A
2008-14	Segregation of Duties*	N/A
2008-15	Segregation of Duties*	N/A
2008-16	Proper Reconciliation of Cash Control Accounts*	N/A
2008-17	Reconciliation of Interfund Receivables and Payables*	N/A
2008-18	Accounts Payable Cutoff*	N/A
2008-19	Accounting for Appropriations*	N/A
2008-20	Financial Reporting*	N/A
2008-21	Lack of Segregation of Duties in Financial Accounting and Reporting*	N/A
2008-22	Lack of Segregation of Duties – Occupational Licenses and Fines*	N/A
2008-23	Lack of Segregation of Duties – Supervisory Review – Pari-Mutuel Taxes*	N/A
2008-24	Noncompliance With Statutory Transfers*	N/A
2008-25	Internal Control*	N/A
2008-26	Internal Controls and Financial Reporting*	N/A
2008-27	Internal Controls and Financial Reporting*	N/A
2008-28	Unclaimed Property Reconciliation	N/A
2008-29	Financial Reporting	N/A
2008-38	Information Systems Controls*	N/A
2008-39	Payroll Authorization Procedures*	Unknown
2008-40	Misapplication of Federal Highways Emergency Relief Funds*	\$2,000,000
2008-41	Inventory Process and Procedures*	Unknown
2008-42	Subrecipient Monitoring*	Unknown
2008-43	Noncompliance With Authorized Funding Techniques*	Unknown
2008-55	DHHR Information System and Related Business Process Controls	N/A
2008-66	Quality Control – Error Rate	Unknown

\*Reported by other auditors in conjunction with their respective audit of the financial statements of the respective State agencies.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**Part III. Federal Award Findings and Questioned Costs Section**

<b>Reference Number</b>	<b>Findings</b>	<b>Questioned Costs</b>
2008-30	Uncashed Stale-Dated State Checks	Unknown
2008-31	Schedule of Expenditures of Federal Awards	N/A
2008-32	Recertification	Unknown
2008-33	Federal Reporting	N/A
2008-34	Program Income Internal Controls	N/A
2008-35	Subrecipient Monitoring – Audit Reports	Unknown
2008-36	Subrecipient Monitoring – On-Site Monitoring	Unknown
2008-37	U.S. Department of Labor Audit Review	Unknown
2008-38	Information Systems Controls	N/A
2008-39	Payroll Authorization Procedures	Unknown
2008-40	Misapplication of Federal Highways Emergency Relief Funds	\$2,000,000
2008-41	Inventory Process and Procedures	Unknown
2008-42	Subrecipient Monitoring	Unknown
2008-43	Noncompliance With Authorized Funding Techniques	Unknown
2008-44	Student Status Changes	N/A
2008-45	Special Tests and Provisions – Loan Repayments and Student Deferments	N/A
2008-46	Fiscal Operations Report and Application to Participate	
2008-47	Internal Control – Bank Reconciliations and Program Income	N/A
2008-48	Special Tests and Provisions – Borrower Data Transmission and Reconciliation	N/A
2008-49	Subrecipient Cash Management	Unknown
2008-50	Subrecipient Monitoring	Unknown
2008-51	Matching Requirements	Unknown
2008-52	Subrecipient Monitoring	Unknown
2008-53	Subrecipient Cash Management	Unknown
2008-54	Eligibility	Unknown
2008-55	DHHR Information System Controls and Related Business Process Controls	N/A
2008-56	Payroll Authorization Procedures	Unknown
2008-57	Federal Efficiency Standards	N/A
2008-58	Data Reliability Report	N/A
2008-59	Allowability and Eligibility	Unknown
2008-60	Subrecipient Monitoring	Unknown
2008-61	Disaster Recovery Plan	N/A
2008-62	Subrecipient Cash Management	Unknown
2008-63	Eligibility Redeterminations	\$58,143
2008-64	Eligibility Documentation	Unknown
2008-65	Duplicate Payment	Unknown
2008-66	Quality Control – Error Rate	Unknown
2008-67	Allowable Costs	Unknown
2008-68	Federal Reporting	N/A
2008-69	Subrecipient Monitoring	Unknown
2008-70	Obligating Funds	Unknown

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–1 TAX REVENUE IT CONTROLS AND RELATED RECEIVABLES**  
**(Prior Year Finding 2007–1)**

**State Agency**  
Department of Revenue

**Criteria:** The management of the State Department of Revenue (the Revenue Department) is responsible for establishing and maintaining adequate controls over the recording and collection of tax revenues and related receivables, including its information systems controls and processes.

**Condition:** Based on our procedures performed, we noted the following deficiencies in the current processes and application controls:

- With the recent system conversion, management can generate historical trend data; however, the data has not developed to the point that the data can be relied upon to calculate taxes receivable including delinquent taxes receivable. As a result, management continued to utilize subsequent receipt information as a basis for recording delinquent taxes.
- There are no formal policies and procedures for estimating uncollectible receivables or when to write off uncollectible accounts. Management is unable to generate developed collection history information, thus impacting their ability to estimate the uncollectible portion of outstanding receivables.
- There is a five-year documentation retention policy utilized by the Revenue Department. Many of the delinquent receivables go back beyond this five-year period. If the State intends to pursue collection of receivables outstanding longer than five years, it should extend its documentation retention policy as well.
- For the Business Tax System (BTS) application, two analysts responsible for programming activities also are responsible for migrating changes into production. This level of access constitutes a segregation of duties issue. Furthermore, no detect controls are in place to ensure that all changes moved into the production environment are authorized.
- Testing over the GenTax application change management process identified four production changes that did not have documented evidence of testing being performed prior to production migration.
- The network password settings at the Revenue Department are not configured to 1) lock out user accounts after a defined number of invalid login attempts and 2) prevent users from reusing their previously used passwords. Additionally, the minimum length password configuration is not set with leading industry practices. This also constitutes a password settings issue for Remittance Tax System (RTS) as the user's access to the RTS application is controlled via proper authentication at the network layer.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–1 TAX REVENUE IT CONTROLS AND RELATED RECEIVABLES  
(Prior Year Finding 2007–1) (continued)**

**State Agency**  
Department of Revenue

- The password settings configured for the local production servers that support the RTS ('IFPFS1') & ('IFPDB1') and GenTax ('GTXDBPV1') applications are not configured to 1) force a minimum password length, 2) force password expirations after a set number of days, 3) lock out user accounts after a defined number of invalid login attempts, and 4) prevent users from reusing their previously used passwords.
- Upon review of a listing of users with alter access to the BTS Control-M job scheduler, we identified eight individuals that are application programmers and have access to modify the scheduled batch jobs that support the production BTS environment. This combination of responsibilities constitutes a segregation of duties concern.
- The RTS production application server ('IFPFS1') is not scheduled for routine backups in accordance with agency backup policy and retention procedures.

Collectively, these conditions reflect a lack of proper controls to adequately report and collect taxes due the State.

**Context:** Personal income and business taxes were \$1.5 billion and \$917 million, respectively, for the year ended June 30, 2008.

**Cause:** Management indicated that the lack of controls is due to limited staffing available to support the applications and that the lack of formal policies issue is due to the number of individuals necessary to support the applications and the involvement necessary of all staff due to the size of the IT department.

**Effect:** Overall, insufficient controls at the Revenue Department could affect tax revenue and related receivables from being properly recorded in the financial statements and enhances the opportunity for irregularities or unauthorized access to sensitive data to occur.

Without proper segregation of duties regarding user access rights and functional responsibilities, an individual has the ability to circumvent change approval and job scheduling controls/processes. Consequently, there is an increased risk that unauthorized application and job scheduling changes could be implemented and go undetected.

If program changes to the applications are not tested prior to production migration, it could potentially lead system downtime or potentially inaccurate production data.

Deficient password settings at the network, operating system, and/or application layers could lead to unauthorized access and manipulation of sensitive and/or confidential production data.

Failure to routinely back up data can lead to unrecoverable production data and prolonged system outages.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-1 TAX REVENUE IT CONTROLS AND RELATED RECEIVABLES**  
**(Prior Year Finding 2007-1) (continued)**

**State Agency**  
Department of Revenue

**Recommendation:** We recommend that management perform data analysis so that historical trends can be developed. This will enable management to estimate taxes receivable, including delinquent taxes and an allowance for doubtful accounts, as of the fiscal year-end so that the information for the financial statements can be provided to the Financial Accounting and Reporting Section (FARS) in a timely manner. Management should also maintain the documentation supporting the historical trends.

In conjunction with the Revenue Department's ongoing implementation of a new system, we recommend a comprehensive review of the overall process for assessing, tracking, recording, and collecting taxes throughout the various taxpayer phases. Such a comprehensive review should include items such as:

- A specific review and "scrubbing" of the existing information to determine how much is actually outstanding and owed the State.
- A review of the new information systems to make sure that relevant information is available to address the deficiencies noted in the delinquent tax activity area. The tax systems should readily provide information related to each specific case, history of the case, suggested remedies, dates and amounts expected to be received, case contact information, etc.
- An overall review of State powers and laws related to the collection process of delinquent taxes should be considered, including an analysis of the State's existing powers and whether or not those powers could be utilized to enforce collections of delinquent taxes on a more timely basis. For instance, the State should evaluate whether it has the ability to garnish wages, offset amounts past due, etc.
- A formal process should be developed for recording the receivables, estimating the related allowance for uncollectible accounts and writing off bad debts. In developing the methodology, consideration should be given to compiling reliable historical collection information to utilize in establishing appropriate reserve percentages by aging category and tax type.
- An evaluation of the adequacy of the current state of business continuity and disaster recovery procedures and formal documentation of the plan to facilitate execution when needed. Furthermore, procedures should be developed to test the plan at least annually to ensure that employees are familiar and comfortable with the procedures, and so that weaknesses in the current plan can be identified and corrected prior to an actual recovery situation.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-1 TAX REVENUE IT CONTROLS AND RELATED RECEIVABLES**  
**(Prior Year Finding 2007-1) (continued)**

**State Agency**  
Department of Revenue

Management should also review the functional responsibilities assigned to different individuals within IT to ensure that proper segregation of duties are in place. Programming personnel should not be allowed unrestricted update access to an application's production environment. If management decides this is not possible, procedures should be implemented whereby an independent third party reviews a log on a regular basis to ensure changes made are appropriate and authorized. Further, steps should be taken to ensure that individuals do not have access to modify both program and batch jobs. Administrator access should only be granted to those user accounts that require the ability to modify scheduled jobs based on their job responsibilities. Management should continually review the responsibility and update the cost-benefit analysis to determine if the related risks warrant additional resources. Logical access rights assigned to individuals should also preclude a single individual from subverting a critical change control process that has been implemented.

Management should enhance network and operating system level security by configuring the following password policy changes, which are considered leading industry practice:

- User passwords should be a minimum of six to eight characters.
- User passwords should expire every 60 to 90 days.
- User accounts should be disabled after three to five unsuccessful logon attempts.
- Users should be restricted from reusing their three to five previously used passwords.

Management should resolve timing and duration issues and take measures to ensure that all key production server applications and data is backed up on a routine basis.

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

The State Tax Commissioner brings a very serious and professional attitude toward implementation, maintenance, and monitoring of the Revenue Department's internal controls. Processes and procedures have been developed and implemented to address all agreed-upon areas of insufficient controls noted in the report.

GenTax is a powerful tool and provides the opportunity for employees to perform functions not before available. The enhanced capability highlights the need for effective internal controls. For example, the Compliance Division has developed a list of reports that return in real-time transactions performed by its employees. These reports are reviewed on a regular basis to ensure adherence to the Division's internal control guidelines. Since GenTax provides the capability of assigning an age to every receivable, the Compliance Division has developed a method of risk scoring of receivables that includes as a criterion the age of the receivable. Additionally, the Compliance Division has drafted proposals to address the lack of "formal policies and procedures for estimating uncollectible receivables or when to write off uncollectible accounts." GenTax also provides the ability to store all imaged and computer records indefinitely within the integrated tax system itself or through archival files outside of the system that are accessible upon request. As such, the previous five-year documentation retention policy will be replaced as taxes are incorporated into the new system.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-1 TAX REVENUE IT CONTROLS AND RELATED RECEIVABLES**  
**(Prior Year Finding 2007-1) (continued)**

**State Agency**  
Department of Revenue

FARS personnel have met with the Revenue Department staff and GenTax personnel to outline reports that are necessary for recording current and delinquent taxes receivables and estimating related allowances for doubtful accounts for financial reporting purposes. Additional meetings will be held to ensure that sufficient information is available to record such balances in a timely manner for fiscal year 2009.

Effective September 12, 2008, management removed the access rights of the two Programmer Analysts to migrate changes into production. Additionally, a policy was established that requires that changes be approved by the Information Technology Division Assistant Director, who will, upon approval, physically move the change into production. Further, management lowered the application programmer's access to the Control-M job scheduler from "modify" to "review" and to establish procedures through HEAT to require the approval of the changes by the Information Technology Division Assistant Director. The changeover to the Integrated Tax System will result in the phase-out of BTS with the system being locked down by September 2009.

Management has been working with Fast Enterprises, the contractor on the State's Integrated Tax System, to review the SQR (incident report) process with the intent to further enforce the procedures for thorough testing of proposed GenTax production changes. Management is also working with IBM to make sure that leading industry standards on password settings are met. Management expects to implement enhanced password settings in the fiscal year.

Management has implemented corrective action to ensure that a full backup of the key production server applications and data occurs on the 1st and 4th Saturday of each month.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–2 IT PROCESS CONTROLS REVIEW**  
**(Prior Year Finding 2007–2)**

**State Agency**  
Various

**Criteria:** Management of the State is responsible for establishing and maintaining adequate controls over changes to and processes to maintain its information systems, including the West Virginia Financial Information System (WVFIMS) and EPICS applications. The State processes payroll and cash disbursements for all of the State agencies on the EPICS payroll system and WVFIMS application, respectively. The Office of the State Auditor (OSA) administers EPICS and a separate instance of FIMS, while the Department of Administration (DOA) and the Office of Technology administers the WVFIMS application and supporting infrastructure.

**Condition:** Based on our procedures performed, the following control weaknesses were identified with respect to the WVFIMS, FIMS, and EPICS applications:

- Related to the EPICS and FIMS applications, due to the limited number of IT programming staff, the same programmer who developed the change also may implement the change into production, constituting a segregation of duties concern. Furthermore, a formalized detect control does not exist to ensure all changes implemented into production were authorized.
- Access to approve WVFIMS changes for migration to production is limited to those individuals with approval privileges within the CLIST utility. However, users outside of the immediate WVFIMS application support team with approval access to the CLIST can approve migrations to WVFIMS without knowing whether the change is appropriate or not.
- Programming personnel maintain administrator access within the EPICS and FIMS applications. This combination of responsibilities/access represents a segregation of duties issue. Additionally, for the FIMS application, other employees could enter a command in the “A16” mark screen of the application and effectively grant themselves ‘superuser’ access privileges.
- The EPICS application password settings are not configured with leading industry practices in relation to password minimum length and password history.

**Context:** EPICS, FIMS, and WVFIMS change management controls/processes, password security, and improper segregation of duties regarding user access rights and functional responsibilities could potentially affect the payroll and cash disbursement processing for all State agencies and the State transaction approval process.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–2 IT PROCESS CONTROLS REVIEW**  
**(Prior Year Finding 2007–2) (continued)**

**State Agency**  
Various

**Effect:** Without the proper segregation of specific WVFIMS developers within the CLIST, changes to the application could be approved by another DOA developer not authorized to approve changes to WVFIMS.

Without proper segregation of duties regarding user access rights and functional responsibilities, an individual has the ability to circumvent application access and change approval controls/processes. Consequently, there is an increased risk that unauthorized application access and changes will be implemented and go undetected.

Deficient password settings at the application level could lead to unauthorized access to sensitive and/or confidential company information.

**Recommendation:** Management should continually review the functional responsibilities assigned to different individuals within IT to ensure that proper segregation of duties are in place. Such reviews should include a cost-benefit analysis to determine if the related risks warrant additional resources. Logical access rights assigned to individuals should also preclude a single individual from subverting an access administration and critical change control process that has been implemented.

Management should work with the application vendor to determine if there is a way to either change this well-known command to provide ‘superuser’ access or if there is another way that ‘superuser’ access can be assigned. The feasibility of disabling or otherwise preventing the “A16” command from general use should be further investigated.

Management should configure password security settings so that they are consistent with leading industry standards. Specifically,

- Passwords should be a minimum of six to eight characters in length.
- Users should be prevented from reusing their three to five previously used passwords.

Management should limit the functional responsibilities assigned to different DOA developers with the ability to approve WVFIMS application changes in the CLIST. Logical access rights assigned to individuals should also preclude individuals from subverting a critical change control process that has been implemented.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-2 IT PROCESS CONTROLS REVIEW**  
**(Prior Year Finding 2007-2) (continued)**

**State Agency**  
Various

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

Neil Legg, Application Integration Specialist, will take primary responsibility for moving code into production. Steve Gyman, the Director of Application Development, will be Neil's backup. If neither Neil nor Steve are available, and in case of emergency, then Mike Barker, Director of Data Center Operations, will perform this function.

Before getting to the EPICS sign on-screen to enter an EPICS specific password, an additional security portal must be passed. There are two of these portals. One, called Safe & Secure (a product of Locum) is used to guard access to the mainframe OS (MCP). Safe & Secure is a third-party product and exceeds the guidelines set forth. The other portal guards access from the internet. This portal meets the minimum password length but not the minimum password history. We have a new project on our list to accomplish the minimum password history.

This 'A16' command is actually the execution of a FIMS access assignment program that grants user access. This program is known as LINC SECURITY. It has been open. We will work to lock it down so only user admin can access it.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-3 INVENTORY**  
**(Prior Year Finding 2007-4)**

**State Agency**  
Various

- Criteria:** Management of the State's agencies are responsible for maintaining accurate perpetual inventory records and properly valuing its inventory.
- Condition:** The agencies maintain their own perpetual inventory and report the year-end inventory amount to the Financial Accounting and Reporting Section (FARS) through their closing book forms. We noted several discrepancies exist between the unit cost per inventory and the unit cost per invoice, thus potentially misstating reported inventory.
- Context:** Inaccurate records of units on hand or inaccurate unit cost information can potentially cause the overstatement or understatement of the recorded inventory.
- Cause:** Management indicated that the lack of formal policies, procedures, and controls over updating the perpetual inventory system with current unit and cost information is the cause of this problem.
- Effect:** From our observations and discussions with management at the agencies and review of legislative audit reports, the following are some of the common noted deficiencies:
- Multiple instances of discrepancies between unit cost per inventory record and unit cost per invoice.
  - Many unit costs could not be supported because the most recent invoices could not be located.
  - Several items have been carried forward in inventory for several years. Consequently, invoices for these items could not be located.
  - Several immaterial items (i.e., notebooks, brochures) were inventoried resulting in inefficiencies. Furthermore, management did not maintain sufficient records to support the recorded value for these items.
- Recommendation:** Formal policies, procedures, and controls should be implemented to enhance the accuracy of the recorded inventory units and associate values. Such policies should specify the types of items to be inventoried and a dollar amount for items inventoried. Items purchased less than the specified threshold should be expensed.
- Records should be updated to reflect the accurate quantity on hand. This includes ensuring that the unit costs reflect the unit cost per invoice at the time of purchase, unless current market has declined below cost.
- For items that have been carried forward in inventory, it should be determined if these items are actually used at the agencies. If the items are considered obsolete, they should be removed from inventory.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-3 INVENTORY**  
**(Prior Year Finding 2007-4) (continued)**

**State Agency**  
Various

<b>Views of Responsible Officials and Planned Corrective Actions:</b>	Management has drafted a formal policy outlining systematic procedures with the goal of ensuring a secure and organized system of inventory control for maintaining accurate perpetual inventory records and accurately recording inventory values. This revised inventory policy is expected to be fully implemented by July 1, 2009.
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**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-4 INFORMATION SYSTEM CONTROLS**

**State Agency**

Public Employees Insurance Agency (PEIA) and Retiree  
Health Benefit Trust (RHBT)

**Criteria:** Management is responsible for establishing and maintaining adequate controls over changes to and processes to maintain its information systems.

**Condition:** BAS and Great Plains (implemented during fiscal year 2008) applications:

- **Manage Changes – Authorization, Testing, and Approval**

During our review of the Great Plains and BAS application change management process, management indicated that the change requests were to be authorized via the weekly task lists; however, we were unable to obtain any documentation surrounding the process. Additionally, no documentation was available to support that the changes/upgrades had been effectively tested and that the change/upgrade obtained final approval before migration to the production environment.

- **Manage Changes – OS and DB Upgrades/Patches**

The process for applying operating system (OS) and database (DB) upgrades and/or patches (for the BAS and Great Plains applications) is informal and no documentation is maintained to support the operating system, or database upgrades/patches were authorized, tested, and approved prior to production migration.

- **Logical Access – User Access Administration, Periodic Review**

A periodic review of user access for the Great Plains and BAS applications is not being performed to ensure user access rights correspond to user job responsibilities.

Additionally, during our review of terminated employees, we identified one employee who left PEIA and assumed a position within the Office of Technology; however his access to Great Plains at PEIA was not removed. PEIA management indicated that the access is no longer required as part of his job responsibilities.

- **Logical Access – Password Settings**

The Great Plains application password settings, due to functionality limitations, are not configured to 1) be a minimum number of characters in length, 2) force password expirations after a set number of days, 3) lock out user accounts after a defined number of invalid login attempts, and 4) prevent users from reusing their previously used passwords.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-4 INFORMATION SYSTEM CONTROLS  
(continued)**

**State Agency**

Public Employees Insurance Agency (PEIA) and Retiree  
Health Benefit Trust (RHBT)

- Logical Access – Administrator Access

There is one user ID (assigned to a Microsoft Consultant) that is currently assigned to a blank user class which allows the ID full rights within the application. The combination of duties represents a potential segregation of duties conflict within the Great Plains logical access environment.

Access to the default Windows ‘administrator’ ID on the ‘PEIAGPPROC01’, ‘PEIAGPSQL01’, and ‘PEIAGPBIZTALK01’ production servers (that support the Great Plains applications) is not appropriately restricted. This ID is being shared and the password is not periodically changed.

Additionally, the ‘SA’ and ‘DYNSA’ accounts on the production SQL database (‘DB01’) that supports the Great Plains application are not appropriately restricted. These IDs are being shared and the passwords are not periodically changed.

**Context:** The information systems conditions noted above could affect the accuracy of processing PEIA and RHBT financial information, including premiums/contributions.

**Cause:** During the time of our review, development was still in process and programmers were still actively working on the new system. Accordingly, management indicated that they had not had time to develop and implement certain IT procedures and controls.

**Effect:**

- Manage Changes – Authorization, Testing, and Approval

Lack of formal written policies and procedures for application changes and upgrades does not contribute to an effective environment and could lead to inconsistencies in protocol or documentation. Without proper documentation of authorization, user acceptance testing, and migration approval, implemented changes to the production environment may not be operating as intended.

- Manage Changes – OS and DB Upgrades/Patches

Lack of formal written policies and procedures for patches and upgrades does not contribute to an effective environment and could lead to inconsistencies in protocol or documentation. Without proper documentation of authorization, user acceptance testing, migration approval, and implemented changes to the production environment may not be operating as intended.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-4 INFORMATION SYSTEM CONTROLS**  
(continued)

**State Agency**

Public Employees Insurance Agency (PEIA) and Retiree  
Health Benefit Trust (RHBT)

- Logical Access – User Access Administration, Periodic Review

Inadequate access administration controls can lead to unauthorized and/or inappropriate access to sensitive information.

- Logical Access – Password Settings

The current password settings could lead to unauthorized access to sensitive and/or confidential information.

- Logical Access – Administrator Access

The current administrator access structure could lead to inappropriate or excessive user access rights being granted to existing users. The ability for the user to bypass established processes and controls can lead to inappropriate access to sensitive information.

**Recommendation:**

- Management should consider implementing formal policies and procedures surrounding Great Plains and BAS program changes (modifications or upgrades) to include documentation of authorization, testing, and approval.
- Management should also consider implementing formal policies and procedures surrounding the upgrades and/or patches applied to the operating system and database upgrades supporting the BAS and Great Plains applications.
- Management should enhance the current application access administration processes to ensure that reviews of user access are performed on a periodic basis (i.e., annually) to ensure user access rights remain consistent with user job responsibilities. Review procedures should be performed for all users with access to the applications. In addition, management should ensure that adequate documentation is maintained to provide evidence (sign-offs, hard-copy reports, etc.) of the review.
- Management should work with the application vendor to enhance password security. The following are considered leading industry practice.
  - Require passwords to be six to eight characters in length.
  - Force passwords to expire every 60 to 90 days.
  - Automatically lock user accounts after three to five unsuccessful logon attempts.
  - Prevent users from reusing previously used passwords by maintaining a password history file.
- Management, within the Great Plains application, should verify that all user IDs belong to a defined user class in the application and correspond to their job responsibilities.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-4 INFORMATION SYSTEM CONTROLS**  
**(continued)**

**State Agency**

Public Employees Insurance Agency (PEIA) and Retiree  
Health Benefit Trust (RHBT)

- Management should restrict access to the privileged default IDs (for each operating system server and database) and limit them to a select number of IT personnel. The password for these IDs should be changed periodically to inhibit unauthorized users from accessing the accounts.

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

PEIA is actively participating with the West Virginia Office of Technology (OOT) and Microsoft Consulting Services to respond to these findings by implementing the recommendations. The issues of access and change are already significantly reduced. The Great Plains user ID assigned to a blank class has been resolved. OOT has been made aware of our need for formal policies and has assigned this responsibility to top management within their agency to assist PEIA in resolving the issues.

With OOT assistance, management will be developing policies for access and changes. Access will be formally approved and monitored with regular reviews of individual access levels. All changes will be reviewed by management before allowing access to production data by OOT.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-5 NEW SYSTEM IMPLEMENTATION AND OTHER MATTERS**

**State Agency**

Public Employees Insurance Agency (PEIA) and Retiree  
Health Benefit Trust (RHBT)

**Criteria:** A critical element of an entity's internal control is its ability to record, process, and summarize accounting transactions in a timely manner and to prepare financial reports that give a true and accurate assessment of the entity's financial status. Timely, accurate financial information is crucial to effective decision-making by management..

Further, a fundamental concept of effective internal control is supervision and review of general ledger activities, including journal entries.

**Condition:** During fiscal year 2008, PEIA management implemented a new information system that is utilized in accounting and financial reporting for PEIA and RHBT. Management encountered significant accounting and reporting issues while implementing the new system including the following:

- Significant delays in being able to produce reliable PEIA and RHBT financial statements.
- Several accounts, including cash, were not properly reconciled in a timely manner, resulting in significant adjustments upon completion of the reconciliations. Furthermore, no procedures are in place requiring the reconciliation of the online portal information in the new system with the GP national account. Consequently, we noted certain instances where transactions were posted at the GP level but not reflected in the portal.
- Significant issues were noted in the premium billing and collection process as employers and PEIA personnel went through the learning curve of understanding the complexity of the new system. Consequently, significant PEIA staff time was spent reconciling employer account balances, including the split between PEIA and RHBT amounts due.
- Employers' payments in excess of \$14,217,836 were held as of June 30 and not deposited in a timely manner. This resulted in significant delays and inefficiencies in reconciling participating employer account balances. Additionally, instances were noted where the held check amount was not properly allocated between PEIA and RHBT.
- Delays in accurately reporting the due to/from RHBT balance (i.e., certain RHBT cash was deposited in PEIA cash accounts at June 30 in error).
- Management originally allocated certain general revenue fund appropriations in one manner; however, the legislative budget bill was later revised to clarify such appropriations should be made only to general revenue fund FTEs. Upon review of the allocation methodology, we noted that the reallocation still had not been appropriately reflected at the individual account level. Management is still in process of making the necessary correcting entries at the account level.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-5 NEW SYSTEM IMPLEMENTATION AND OTHER MATTERS**  
**(continued)**

**State Agency**

Public Employees Insurance Agency (PEIA) and Retiree  
Health Benefit Trust (RHBT)

- Further, we noted that various individuals including the IT programmer, controller, and other accountants create and post journal entries in the general ledger without supervisory review and approval of entries. Further, we noted instances where supporting documentation was not maintained to support certain journal entries.

**Context:** Management was not able to produce accurate financial statements for PEIA and RHBT until February 2009.

**Cause:** Management indicated that problems were encountered in the new system conversion process, including the unanticipated learning curve time for PEIA and employer personnel to understand and effectively utilize the new system. Furthermore, the individual primarily responsible for RHBT accounting left during the new system implementation process.

The current procedures do not require journal entries to be reviewed and approved. Nor is documentation required to be retained to support entries that are made.

**Effect:** Management was unable to provide financial statements to executive management and the Finance Board in a timely manner.

Without proper review and approval of journal entries, errors or irregularities could occur and not be detected.

**Recommendation:** Management has spent a significant amount of time to date in fiscal year 2009 focused on cleaning up fiscal year 2008 information. Consequently, sufficient resources should be devoted to refining the fiscal year 2009 information to date and in the future to ensure that accurate timely financial statements are produced prospectively. As part of this process, all accounts should be reconciled in a timely manner. Furthermore, management should evaluate the root cause of the system issues encountered and determine the necessary corrective action to prevent their reoccurrence (i.e., additional training, hiring additional staff, new policies and procedures). For instance, procedures should be established requiring the reconciliation of the online portal information with the GP national account level information. Additionally, procedures should be formalized to address how general revenue fund appropriations are supposed to be allocated to ensure consistency in the process and avoid potential disputes among the participating employers. Management should also implement their procedures to follow up on and resolve participant credit balances in a timely manner.

With the new system, management has the ability to generate premiums/contributions aging reports and collection history. Accordingly, we recommend that management challenge the methodology for estimating the allowance for doubtful accounts and begin using actual collection history by aging category based on hindsight analysis to determine the allowance percentage by aging category.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-5 NEW SYSTEM IMPLEMENTATION AND OTHER MATTERS**  
**(continued)**

**State Agency**

Public Employees Insurance Agency (PEIA) and Retiree  
Health Benefit Trust (RHBT)

Policies and procedures should be developed requiring limiting the individuals that have the ability to create and post journal entries in the general ledger. In particular, IT personnel should not have the ability to make journal entries. Additionally, the policies and procedures should require that journal entries be reviewed and approved by supervisory personnel and documentation be maintained supporting the entries.

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

Management agrees with the recommendations and will begin development of the recommendations immediately. Cash reconciliations for fiscal year 2009 have begun and many of the issues that caused the conditions within this finding have already been resolved. We are also currently attempting to create and fill a Controller position for the RHBT. Additional training and familiarity of our systems has also significantly reduced the conditions mentioned above.

Management believes that the implementation of GASB 45 by the State and the splitting of premiums into PEIA and RHBT to provide a clearer reporting of the two agencies' accounting transactions created significant confusion of users in addition to the implementation of the new system.

Many of the cash deposit errors were caused by users external to PEIA via intergovernmental transfers through the West Virginia Financial Information Management System. Training and familiarity of the new system and the multiple agency format is reducing such errors.

Management could not control the fact that the fiscal year 2008 budget bill was changed during a special session on June 28, 2008, to redefine how the general revenue appropriation into RHBT was to be allocated. However, management will continue to develop procedures that may mitigate the effects of such a reoccurrence.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-6 POSTEMPLOYMENT OBLIGATION (OPEB)**  
**(Prior Year Finding 2007-7)**

**State Agency**

Department of Administration and Retiree Health Benefit  
Trust (RHBT)

**Criteria:** GASB 43, *Financial Reporting for Postemployment Benefits other Than Pensions*, and GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, require that a new actuarial valuation be performed if significant changes have occurred since the last valuation, including significant changes in benefit provisions, size or composition of membership, or other factors impacting actuarial assumptions. The actuarial valuation should be based on the substantive plan in place (changes in plan terms that have been made and communicated to plan members) at the time of the valuation. The time of the valuation refers to the time when the actuary is performing the valuation. The reliability of the actuarial estimate, including actuarial assumptions, is dependent on the reliability of the data utilized by the actuaries in completing their valuation.

**Condition:** The West Virginia Retiree Health Benefit Trust (RHBT) actuarial valuation is based on data provided by various State data sources, including information provided by RHBT, West Virginia Public Employees Insurance Agency (PEIA), West Virginia Consolidated Public Retirement Board (CPRB), and the Department of Administration (DOA). This data utilized by the actuaries in developing key actuarial assumptions including pension vs. health insurance conversion ratio, retirement rate percentage, and expected conversion rate percentage, has a significant impact on the estimated actuarial accrued liability and the related annual required contribution (ARC). In conjunction with our current year audit, we noted that management had not updated and maintained documentation supporting the reasonableness of the key assumptions utilized in the estimation process in a timely manner. Further, there are no formal procedures in place to address the accounting for key matters in the Other Postemployment Benefit (OPEB) administration process including:

- The timing of the actuarial valuation date and linkage with the employer's reporting period.
- Handling of changes in the underlying participant members used in the original ARC allocation among participating employers.
- Handling of PEIA excess reserve transfers to RHBT, State appropriations, credits, on-behalf payments, etc., including documentation of which employers receive credits for the different items.

In addition, a significant component utilized in the calculation is the information derived from the overall State sick leave and annual leave data warehouse database. This database includes information submitted by each agency relating to sick and annual leave. However, not all agencies report their information through this warehouse; therefore, the actuary is required to make assumptions and estimate various inputs into the total sick leave days, which serves as the base, for the conversion of such days to OPEB. Currently, the State does not have controls in place to ensure the overall data integrity of the sick and annual leave data warehouse.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-6 POSTEMPLOYMENT OBLIGATION (OPEB)**  
**(Prior Year Finding 2007-7) (continued)**

**State Agency**  
Department of Administration and Retiree Health Benefit  
Trust (RHBT)

- Context:** The estimated actuarial accrued liability as of June 30, 2008, was \$6.3 billion.
- Cause:** The State does not have formalized policies and procedures over the OPEB estimation process in place.
- Effect:** The amounts recorded by management may not reflect the best estimate of the OPEB obligation.
- Recommendation:** The key assumptions utilized in the postemployment obligation estimation process should be challenged on an annual basis and a new valuation should be completed if significant changes have occurred since the last valuation. Further, supporting documentation should be retained to support the assumptions utilized in the actuarial valuation. Further, this process needs to take place to provide the State and other employers' sufficient lead time between the calculation of the ARC and the employer's budgeting process, so that the employers can incorporate the ARC into their budgets. The linkage between a particular valuation date and the employer reporting periods should be established and formalized by an accounting policy decision on behalf of the employers in conjunction with PEIA, who has administrative responsibility for RHBT. Furthermore, formal policies should be established to address other matters involved in the OPEB administration process including changes in the ARC participant base, handling of State appropriations, PEIA excess reserve transfers, credits and on-behalf payments, etc.

Management should follow up on the known data discrepancies and work with the other agencies involved in the process to implement quality control review procedures to ensure that future data provided to the actuary is complete and accurate. Further, documentation should be maintained to support the data relied upon by the actuaries in developing their assumptions (i.e., sick and annual leave conversion %) and estimating the actuarial accrued obligation and related ARC. In particular, management should work with the State financial and accounting reporting unit to determine what State agency should assume overall responsibility for the sick and annual leave warehouse information. Policies and procedures should be established to ensure consistent and accurate reporting of sick and annual leave data by all covered entities, including establishing policies for gathering the data from the various entities that currently do not report their information to the data warehouse.

Improving the reliability of the data used by the actuaries and the timeliness of the actuarial valuations, should help to refine the future estimates of the actuarial accrued liability and related ARCs made by the actuaries.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-6 POSTEMPLOYMENT OBLIGATION (OPEB)  
(Prior Year Finding 2007-7) (continued)**

**State Agency**

Department of Administration and the Retiree Health  
Benefit Trust (RHBT)

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

Management has reviewed the finding and concurs. Management will continue to attempt to define and refine the policies and procedures regarding administration of the West Virginia OPEB Plan that are within its control. Future actuarial valuations will be secured in a timely manner and supporting documentation underlying the data and assumptions utilized by the actuaries in developing their actuarial estimates will be maintained. Management is currently attempting to fill the Controller position at the RHBT.

Management will seek to have the responsibility for the leave data warehouse formally appointed. Additionally, we will work with the State Financial Accounting and Reporting Section (FARS) to ensure that the State agency with the designated responsibility for the data warehouse develops and implements appropriate policies and procedures to ensure the integrity of the data.

Further, now that there is a much broader base understanding of OPEB, more agencies are now willing to discuss the administrative aspects with RHBT. This should provide efficiencies such as including the supplemental appropriations in each agency's appropriation and specific instructions on the payment of the obligation.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-7 CAPITAL ASSETS**  
**(Prior Year Finding 2007-8)**

**State Agency**  
Various

**Criteria:** As stated in the Capital Asset Policies Manual, "Agencies are required to complete an annual Inventory Certification Cover Sheet and submit to the Purchasing Division by July 15th of every year." This control procedure is designed to ensure the existence of assets purchased and the accuracy of the State's capital assets that are reported in the comprehensive annual financial report (the CAFR).

Also, the West Virginia Purchasing Division guidelines state, in part:

- "... any item which has an original acquisition cost of \$1,000 or more and useful life of one year or more is required to be entered into the West Virginia Financial Information System (WVFIMS) Fixed Asset System.
- All equipment over \$1,000 will have a numbered equipment identification tag ... tags are to be placed on all items of property/equipment in such a manner that it can easily be seen and read.
- All fields are required in WVFIMS as it applies to the equipment ... tag number, item description, serial number ...."
- Agencies are responsible for maintaining equipment from date of purchase to date of retirement, such as keeping equipment secure, entering assets into WVFIMS, conducting physical inventories, submitting annual certification, retiring assets properly, etc., all in accordance with policy and procedures.

**Condition:** Based on our procedures, we noted the following instances of noncompliance with State equipment policies and procedures:

- In our sample test of 25, six capital asset certification letters were not received in a timely manner and five certification letters were not received at all.
- Several items valued > \$1,000 were not included in capital asset inventory.
- Some assets were recorded twice and others remained on the inventory after disposition. Additionally, documentation was not provided to support the disposition for some selected items.
- In our capital asset addition testing, some fixed asset additions in the WVFIMS Fixed Asset System could not be supported by adequate documentation provided by various agencies.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-7 CAPITAL ASSETS**  
**(Prior Year Finding 2007-8) (continued)**

**State Agency**  
Various

- Context:** The total amount of capital assets balance for the governmental activities of the primary government was \$8.1 billion at June 30, 2008.
- Cause:** Management indicated that capital asset guideline noncompliance was due to staffing limitations and lack of training and knowledge related to compliance requirements.
- Effect:** The deficiencies noted in controls over capital assets could result in capital assets not being recorded and reported in the financial statements consistent with management's assertions. Additionally, deficient controls result in increase risk of theft, especially for electronic items (i.e., computers, cameras).
- Recommendation:** In order to safeguard assets from unauthorized use or disposition and enhance the reliability of the capital asset amounts reflected in the financial statements, we recommend that procedures be implemented to ensure that the capital assets policies and guidelines are adhered to by State agencies. Periodic training covering general guidelines as well as focused training in deficient areas should be considered to enhance compliance. Further, consideration should be given to adding more controls to maintain accountability for items more susceptible to theft, like computer equipment.
- Views of Responsible Officials and Planned Corrective Actions:** Capital assets are recorded by individual agencies. Prompt and accurate recording of assets has been stressed throughout the State. Agencies were reminded that a "potential assets" report is available through the WVFIMS accounting system and can be requested at any time. All capital assets workpapers and responsibilities have been given to one person within the Financial Accounting and Reporting Section (FARS). Additional duties will be assigned, including running asset reports throughout the year and monitoring additions and deletions and testing for adequate documentation. A new agency has recently taken over the responsibility of the capital asset certification letters. Procedures for obtaining the letters and following up on the letters will be established. Capital asset recording policies have been established and will be more strictly enforced.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-8 ENVIRONMENTAL LIABILITIES**  
**(Prior Year Finding 2007-10)**

**State Agency**  
Department of Environmental Protection

**Criteria:** The Department of Environmental Protection (DEP) maintains several environmental protection programs including an abandoned oil and gas well bonding program and a special reclamation program. Under such programs, the State charges various fees, premiums and other assessments, and sets bonding amounts that operators are required to maintain to ensure that funds are available in the event that the operator is unable to fulfill its environmental protection responsibilities.

Management is required to update the related environmental liabilities for current year changes in underlying data and assumptions including costs.

**Condition:** Management establishes an obligation for oil and gas remediation only for those wells designated NotClass I deemed to pose a threat to the public. As of June 30, 2008, management refined the estimate using a database that was more reflective of such wells. During our testing, we noted various errors in the database including duplication of wells and classification errors.

Management also establishes an obligation for the special reclamation program which enables compliance with a federal mandate that allows the State to operate an alternative bonding program to ensure that mining sites are reclaimed in accordance with federal and State regulations. Management engages a third-party actuary to perform the calculation. During our testing, we disagreed with the rationale behind the increase and proposed that the discount rate be consistent with the other components of the liability at 4%. We also noted that the actuary included an assumption in the 2008 computation that could not be adequately supported by management. The revisions to the estimate resulted in an adjustment to increase the liability by \$151.6 million.

**Context:** As of June 30, 2008, the liabilities recorded in the government-wide financial statements related to the oil and gas well and special reclamation environmental liabilities approximated \$423.6 million being recorded. Changes in assumptions can result in significant changes in the estimated environmental liabilities. Without adequate support, this could lead to inaccurate reporting of environmental liabilities reserve estimates.

**Cause:** Management indicated that sufficient program resources have not been dedicated to reviewing the database in the Office of Oil and Gas. Some of the underlying assumptions relating to the estimation of the special reclamation liability could not be adequately supported.

**Effect:** The amounts recorded by management may not reflect the best estimate of the environmental liabilities in accordance with generally accepted accounting principles.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-8 ENVIRONMENTAL LIABILITIES**  
**(Prior Year Finding 2007-10) (continued)**

**State Agency**  
Department of Environmental Protection

**Recommendation:** We recommend that management devote the necessary resources to analyze underlying data and assumptions based on latest available information. Management should maintain documentation supporting the data and assumptions utilized in the estimation process. This process should include an adequate review and approval process that is formally documented and is performed by a person knowledgeable of generally accepted accounting principles. Additionally, management should develop policies and procedures related to implementation of GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations, to allow sufficient time to make the necessary changes in the environmental obligation estimation process to comply with this new standard in a timely manner. Such policies should also include criteria following the guidelines outlined in GASB 49 for recording environmental liabilities at the government-wide and governmental funds levels.

**Views of Responsible Officials and Planned Corrective Actions:** Management is in the process of incorporating the abandoned well database into the Environmental Resources Information System (ERIS). Utilizing the ability of stronger internal control and validation features, ERIS, will prohibit duplicate API numbers, provide entry validation, test entries against logical assumptions, mandate entry of key fields, record numerous inspection dates, incorporate scoring data for planning future well plugging, and provide more comprehensive reporting. Future year liability estimates will be based upon this data of known events, which is a key component of GASB 49 that is effective in the state's fiscal year 2009.

Management is devoting the necessary resources to the timely transition to GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations. Adequate review and approval by a person knowledgeable of generally accepted accounting principles is invaluable to the process and critical to accurate, complete estimates. Management will document assumptions, reviews, approvals, and deviations.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–9 HOSPITAL RECEIVABLES**

**State Agency**  
West Virginia Department of Health and Human  
Resources

**Criteria:** Management is responsible for recording the patient accounts receivable balances, net of estimated amounts deemed uncollectibles, and the related net patient service revenue in accordance with accounting principles generally accepted in the United States.

**Condition:** Currently, there are no formal policies and procedures in place for recording contractuals or for estimating the uncollectible portion of patient accounts balances. Consequently, the methodology followed by hospital management for estimating the allowances varies among the facilities. Furthermore, the review of the preliminary allowances by West Virginia Department of Administration Financial Accounting and Reporting Staff (FARS) determined that the reserves provided by management were insufficient, thus requiring an adjustment approximating \$3 million to increase the overall allowances at June 30, 2008.

**Questioned Costs:** N/A

**Context:** State hospital patient receivables, net of estimated amounts uncollectible were \$73.4 million at June 30, 2008.

**Cause:** Lack of formal policies and procedures to ensure consistency and reliability in estimating uncollectible and contractual amounts.

**Effect:** An adjustment had to be made by the FARS staff to more accurately reflect the patient hospital receivables balance at year-end.

**Recommendation:** Management should establish formal policies and procedures to be followed by the hospitals, which should include the following:

- Definition of what should be reflected as a contractual, bad debt, or charity care, as well as the classification of the different categories in the balance sheet and statement of operations. For example, bad debts are reflected as expense, while contractuals and charity care should be netted out against patient revenue.
- Methodology for recording contractuals (i.e., system time of billing, manual at month-end) depending on the system capabilities of the respective facilities.
- Methodology to be utilized in estimating the allowance for bad debts, including hindsight reviews to evaluate the reliability of the methodology being followed.

**Views of Responsible Officials and Planned Corrective Actions:** The Bureau for Behavioral Health and Health Facilities (BHHF) will compile the operating procedures and applicable methodologies utilized in each of the state facilities in order to assess the effectiveness and positive attributes of each. A homogenized uniform set of guidelines will be developed and implemented in all of the state facilities upon acceptance and approval by the BHHF Commissioner. The policies and procedures will include, but not be limited to, uniform definitions of contractual, bad debt, charity care, and uncompensated care including how each should be processed and classified on the balance sheet and statement of operations.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–10 FINANCIAL REPORTING**

**State Agency**

West Virginia Regional Jail and Correctional Facility  
Authority (Regional Jail)

- Criteria:** The Regional Jail should provide for a timely and accurate financial reporting process designed to ensure that financial statements prepared by management are fairly presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements prepared by management did not include substantially all balance sheet related accruals including accounts receivables, per diem and related deferred revenue, accounts receivable court fees, inventories, capital assets, accounts payable, accrued liabilities, and long-term debt.
- Condition:** The Regional Jail does not have an effective and timely financial reporting system to accumulate financial data for presentation in the Regional Jail’s financial statements. Significant adjustments were necessary to fairly present the Regional Jail’s financial statements in accordance with GAAP.
- Cause:** The Regional Jail has not established financial reporting procedures to ensure that financial statements are prepared in accordance with GAAP.
- Effect:** Without accurate and timely financial statements, it is difficult to effectively manage an organization and ensure that assets are safeguarded. Additionally, this condition significantly inhibits the ability of those charged with governance to fulfill their fiduciary oversight responsibilities.
- Recommendation:** Management should develop a financial reporting process to ensure that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. To assist in development of these procedures, we suggest that the Regional Jail purchase an accounting system that would allow the Regional Jail to produce complete and accurate financial information on a timely basis.
- Views of Responsible Officials and Planned Corrective Actions:** The Regional Jail hereby agrees with the audit findings. In response, the Regional Jail has hired a Certified Public Accountant and is in the process of reviewing the financial reporting process to ensure that the financial statements are reported in accordance with GAAP. Additionally, the Regional Jail is in the process of reviewing the accounting system for the purpose of updating the computer software to allow the Regional Jail to produce complete and accurate financial information on a timely basis.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–11 SEGREGATION OF DUTIES – OVERTIME PAYROLL REVIEW AND APPROVAL**

**State Agency**

West Virginia Regional Jail and Correctional Facility  
Authority (Regional Jail)

**Criteria:** Management is responsible for developing and establishing an effective system of internal control. A significant component of an effective system of internal control is the timely supervisory review and approval of disbursements, including payroll, prior to processing by the State Auditor's Office.

**Condition:** During our procedures, we noted that overtime payroll is currently prepared by a single employee who submits the overtime payroll for processing to the State Auditor's Office without independent review and approval prior to submission.

**Cause:** The Regional Jail has not established formal policies and procedures requiring appropriate supervisory review and approval of overtime payroll preparation prior to submission of the overtime payroll to the State Auditor's Office.

**Effect:** Errors or fraud could occur and not be detected in a timely manner.

**Recommendation:** We recommend that management require review and approval of overtime payroll by a supervisory employee independent of the payroll preparation prior to transmitting the overtime payroll to the State Auditor's Office.

**Views of Responsible Officials and Planned Corrective Actions:** The Regional Jail hereby agrees with the audit finding Segregation of Duties – Overtime Payroll Review and Approval. In response, the Regional Jail is in the process of putting a procedure in place to provide an independent review and approval of all overtime payrolls after they have been submitted to the State Auditor's Office. This review would be performed by the Chief Financial Officer or the Fiscal Officer. This measure would be implemented as a detection control to insure that there would be an independent review of the final payroll product.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–12 FINANCIAL REPORTING**

**State Agency**  
Public Defender Corporation (the Corporation)

- Criteria:** The Corporation’s financial reporting processes should be designed to ensure that financial statements prepared by management are fairly presented in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by Governmental Accounting Standards Board (GASB).
- Condition:** The Corporation’s general ledgers required numerous adjustments identified during the audit process to ensure that the financial statements were prepared in accordance with GAAP. Furthermore, the Corporation determined that they had been following the wrong financial reporting model and changed from following the Financial Accounting Standards Board (FASB) reporting model to the GASB reporting model as required.
- Context:** The adjustments made to the financial statements of the Corporation’s 17 judicial circuits included adjustments to various financial statement line items, such as accounts payable, compensated absences, other postemployment benefit liability, property and equipment, depreciation expense, and prepaid expenses. The financial statements and footnotes also required numerous changes and additional note disclosures to be in compliance with the GASB financial reporting model.
- Cause:** The Corporation does not have established financial reporting processes and procedures to accumulate and record information necessary to report the financial statements in accordance with GAAP as prescribed by GASB.
- Effect:** Management’s financial statements are not being maintained in accordance with GAAP as prescribed by GASB.
- Recommendation:** Management should develop policies and procedures to prepare GAAP-basis financial statements in accordance with the GASB reporting model. In addition to preparing GAAP-basis financial statements as prescribed by GASB at year-end, GAAP-basis statements should then be prepared throughout the year to provide management with additional information for decision-making purposes.
- Views of Responsible Officials and Planned Corrective Actions:** Management plans to develop policies and procedures to prepare GAAP-basis financial statements in accordance with the GASB reporting model. Management plans to see that GAAP-basis statements are prepared throughout the year.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–13 SEGREGATION OF DUTIES**

**State Agency**

Public Defender Corporation for the 2nd Judicial Circuit

- Criteria:** An integral part of an entity’s internal control is effective segregation of duties, which involves assigning responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets to different individuals, thus reducing the risk of error or fraud occurring and not being detected. Furthermore, management, under the direction of the Board of Directors, is responsible for establishing and monitoring the internal control system.
- Condition:** The Chief Defender of the Corporation keeps signed blank checks on hand to pay an expense in an emergency. In addition, this causes limited oversight from the other Board of Directors, as the member signing checks may not see the corresponding invoices.
- Context:** At June 30, 2008, the Corporation’s total assets were approximately \$59 thousand, total liabilities were approximately \$28 thousand, total revenues were approximately \$331 thousand, and total expenses were approximately \$459 thousand.
- Cause:** Management indicated that the Corporation had used this practice for a long time in the event that a board member was out of town or unavailable as a way to have immediately available funds.
- Effect:** The Corporation’s controls over cash are ineffective, as dual approval of payments is taken away. The susceptibility to errors and fraud occurring without detection is significantly increased.
- Recommendation:** While it is true that emergencies do come up, we do not see it necessary to maintain a supply of blank signed checks; even under lock and key this can cause controls over cash to be greatly reduced. We nonetheless recommend the Corporation consider challenging the current arrangement and accounting processes. Consideration should be given to utilizing a Board member, independent of the check signing function, or other staff member of the Corporation to review on a monthly basis such items as bank reconciliations. Furthermore, management should consider implementing other mitigating controls. An example would be for someone independent of the Chief Defender, for example the office manager, to receive the unopened bank statement, open the bank statement, and review the information enclosed as well as corresponding documents for any unusual transactions.
- Views of Responsible Officials and Planned Corrective Actions:** The Corporation will stop keeping signed blank checks on hand.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–14 SEGREGATION OF DUTIES**

**State Agency**

Public Defender Corporation for the 6th & 24th Judicial  
Circuit and 30th Judicial Circuit

- Criteria:** An integral part of an entity’s internal control is effective segregation of duties, which involves assigning responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets to different individuals, thus reducing the risk of error or fraud occurring and not being detected. Furthermore, management, under the direction of the Board of Directors, is responsible for establishing and monitoring the internal control system.
- Condition:** The office manager is an authorized check signer; and also prepares the checks for disbursements.
- Context:** At June 30, 2008, the 6th & 24th Judicial Circuit’s total assets were approximately \$190 thousand, total liabilities were approximately \$97 thousand, total revenues were approximately \$1.4 million, and total expenses were approximately \$1.5 million. At June 30, 2008, the 30th Judicial Circuit’s total assets were approximately \$59 thousand, total liabilities were approximately \$55 thousand, total revenues were approximately \$425 thousand, and total expenses were approximately \$522 thousand.
- Cause:** Management indicated that this practice worked in the past and they want to continue to use it because the office manager is present in the office and available to sign checks at most times.
- Effect:** The Corporation’s controls over cash are not strong enough to mitigate lack of segregation of duties. The susceptibility to errors and fraud occurring without detection is significantly increased.
- Recommendation:** It is true that emergencies do come up, and a check signer may be unavailable. We still recommend the Corporation consider challenging the current arrangement and accounting processes. Consideration should be given to utilizing a Board member, as an additional check signer. Furthermore, management should consider implementing other mitigating controls.
- Views of Responsible Officials and Planned Corrective Actions:** Management will remove the office managers as check signers and replace them with someone not associated with preparing the disbursements. Resolution will be presented to the Board of Directors.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–15 SEGREGATION OF DUTIES**

**State Agency**

Public Defender Corporation for the 25th Judicial Circuit

**Criteria:** An integral part of an entity’s internal control is effective segregation of duties, which involves assigning responsibilities for authorizing transactions, recording transactions and maintaining custody of assets to different individuals, thus reducing the risk of error or fraud occurring and not being detected. Furthermore, management, under the direction of the Board of Directors, is responsible for establishing and monitoring the internal control system.

**Condition:** Signature stamps are used by office staff to obtain second signature of board members.

**Context:** At June 30, 2008, the Judicial Circuit’s total assets were approximately \$121 thousand, total liabilities were approximately \$45 thousand, total revenues were approximately \$596 thousand, and total expenses were approximately \$591 thousand.

**Cause:** The office manager indicated that she only used one of the stamps when the signers were unavailable to keep payments on invoices current and not delay disbursements.

**Effect:** The Corporation’s controls over cash are ineffective, as dual approval of payments is taken away. The susceptibility to errors and fraud occurring without detection is significantly increased.

**Recommendation:** While it is true that emergencies do come up, we do not see it necessary to give such potential control over cash disbursements to one individual. This defeats the purpose of dual signatures on the checks and can cause controls over cash to be greatly reduced. We nonetheless recommend the Corporation consider challenging the current arrangement and accounting processes. The signers of the checks should have control of their own signature stamps. If necessary and availability of signers is a problem, the Corporation should consider giving another Board member check-signing duties. Furthermore, management should consider implementing other mitigating controls. An example would be for someone independent of those signing the checks to review invoices before they are paid.

**Views of Responsible Officials and Planned Corrective Actions:** Management will require both parties to review bank statements and cancelled checks.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–16 PROPER RECONCILIATION OF CASH CONTROL ACCOUNTS**

**State Agency**

West Virginia Consolidated Public Retirement Board  
(CPRB)

**Criteria:** Cash account reconciliations should be prepared timely upon receipt of the monthly bank statement. These reconciliations should reconcile the balance in each bank statement account to the amount recorded in the general ledger control accounts, and include all reconciling items, such as outstanding check and deposits in transit, including transfers between the depository account and the West Virginia Treasury.

**Condition:** We noted that the financial institution cash account for the Teachers' Defined Contribution Retirement System (TDCRS) was reconciled to amounts different than the cash control accounts, resulting in assets being recorded twice in the general ledger for the TDCRS.

**Context:** The TDCRS cash was overstated by \$215,000 as of June 30, 2008, on the Board's general ledger.

**Effect:** Without effective reconciliation procedures that identify all reconciling items and reconcile the appropriate general ledger cash control accounts to the amounts reported on the monthly bank statements, significant errors could occur and go undetected by management for an extended period of time.

**Recommendation:** We recommend that the monthly reconciliations be prepared in a manner to provide a complete, accurate, and timely reconciliation of the TDCRS cash accounts to the general ledger cash control account.

**Views of Responsible Officials and Planned Corrective Actions:** The cutoff issue for TDCRS cash occurred because of the timing differences between transfers from the plan to the third-party administrator. The timing differences occur between the recording of the transaction by the State Treasurer, the local financial institution that facilitates the transfer, and the third-party administrator. Because of the transfer of plan members from TDCRS to the Teachers Requirement System (TRS) on July 1, 2008, the third-party administrator accelerated the recording of certain transactions to ensure accurate balances at the time of transfer. Accounting was not informed of this change in procedure. This resulted in transactions being recorded by the third-party administrator before the funds were transferred by the financial institution. This unusual circumstance was not detected in the reconciliation process.

CPRB will begin to reconcile the cash balance in a manner that closely monitors the recording of transactions by the third-party administrator to ensure that timing differences are detected and included in the reconciliation process.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–17 RECONCILIATION OF INTERFUND RECEIVABLES AND PAYABLES**

**State Agency**

West Virginia Consolidated Public Retirement Board  
(CPRB)

**Criteria:** The reconciliation of general ledger control accounts is an integral component of effective internal control. Additionally, interfund receivables in one fund should agree to a corresponding payable in another fund.

**Condition:** The control accounts for interfund receivables and payables within the general ledger were not reconciled to ensure that the total of interfund receivables balances agreed to the interfund payables balances within the Board's financial statements.

**Context:** Interfund receivables in the internal service funds were understated by \$745,000 in the Board's internal unaudited financial statements.

**Effect:** Without effective reconciliation procedures, errors could occur and go undetected by management for an extended period of time.

**Recommendation:** Management should establish procedures that reconcile the amount payable to and due from funds within the Board's financial reporting entity to ensure that the net balance appropriately equals zero.

**Views of Responsible Officials and Planned Corrective Actions:** CPRB's accounting manager did ensure that the interfund receivable and payable transactions were reconciled before they were given to the accounting personnel for entry. However, fiscal year 2008 was the first year for the implementation of the new general ledger system by CPRB. In entering the interfund entries into the general ledger system, the accounting personnel used the wrong account type in recording the accounts payable detail ledger. Therefore they were not included on the accounts payable detail reports and did not appear to be reconciled. In order to correct the issue, the original entries had to be deleted and re-entered.

CPRB has trained all accounting personnel on the importance of using the proper account types on the general ledger system. Also, we are working to improve our detail reports and develop custom reports in order to facilitate the reconciliation of accounts.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-18 ACCOUNTS PAYABLE CUTOFF**  
**(Prior Year Finding 2007-23)**

**State Agency**  
West Virginia Consolidated Public Retirement Board  
(CPRB)

- Criteria:** In accordance with accounting principles generally accepted in the United States of America, accounts payable reported in the financial statements should include all expenditures incurred and unpaid by the government as of the balance sheet date.
- Condition:** We noted that accounts payable balances reported in the financial statements of the internal service fund prepared by management did not include all significant expenditures incurred but unpaid by the Board as of June 30, 2008. Accounts payable in the Internal Service Fund, as reported in the internal unaudited financial statements, was understated by \$400,000.
- Context:** Accounts payable in the Internal Service Fund, as reported in the internal unaudited financial statements, was understated by \$400,000.
- Cause:** Management does not have procedures established to ensure that a complete and accurate cutoff of accounts payable is achieved.
- Effect:** The unaudited financial statements did not include all significant expenditures and associated liabilities incurred by the Board as of June 30, 2008.
- Recommendation:** Management should establish procedures to ensure that all material expenditures that have been incurred but not paid as of the balance sheet date are recorded in the Board's Internal Service Fund financial statements as a liability in accordance with accounting principles generally accepted in the United States of America.
- Views of Responsible Officials and Planned Corrective Actions:** CPRB has procedures in place to identify those expenses incurred but not paid. The unrecorded accounts payable were in one of two categories. The majority are items that were intentionally not recorded as accounts payable because they were being reimbursed from a legislative appropriation as discussed in finding 2008-19. This issue will be eliminated as discussed in our response to the finding. The second category is for disability examinations that had been ordered by plan personnel. However, accounting was not notified by plan personnel that these examinations were occurring or that an invoice was outstanding. Recent changes in plan personnel who process disability claims should help to resolve this issue in the future.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–19 ACCOUNTING FOR APPROPRIATIONS**

**State Agency**

West Virginia Consolidated Public Retirement Board  
(CPRB)

- Criteria:** GASB Statement No. 34, paragraph 100 requires a proprietary fund (including internal service funds) to report revenues by major source in its statement of revenues, expenses, and changes in fund net assets.
- Condition:** The Board received a legislative appropriation to assist in funding the administrative costs associated with the transfer of the members of Teachers' Defined Contribution Retirement System (TDCRS) who elected to transfer to the Teachers Retirement System (TRS) under the provisions of House Bill 101. The Board accounted for this appropriation as a direct decrease to expense in the Internal Service Fund, rather than as revenue as required by accounting principles generally accepted in the United States of America. This accounting treatment indicates that the Board does not have controls in place to ensure that revenue is properly recognized and recorded in the general ledger.
- Context:** The Board's Internal Service Fund's revenues and expense were understated by \$243,000.
- Effect:** Without effective procedures that ensure that revenue is recognized in accordance with accounting principles generally accepted in the United States of America, significant errors could occur and go undetected by management for an extended period of time.
- Recommendation:** We recommend that management establish procedures to ensure that revenue is recognized in accordance with principles generally accepted in the United States of America.
- Views of Responsible Officials and Planned Corrective Actions:** CPRB agrees with the recommendation and has changed the way we record reimbursements from appropriations to properly reflect the revenue on the general ledger.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–20 FINANCIAL REPORTING**

**State Agency**  
West Virginia Racing Commission

**Criteria:** The Commission should provide for a timely and accurate financial reporting process designed to yield financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Condition:** The balances reported by the Commission in the internal financial statements for the year ended June 30, 2008, were materially misstated. Significant adjustments were necessary to fairly present the Commission’s financial statements in accordance with GAAP.

**Context:** The following adjustments were required to correct misstatements in the financial statements:

- Unrestricted cash and cash equivalents were understated by \$3,152,633 which was the result of incorrect release of assets from restrictions.
- Restricted cash and cash equivalents were overstated by \$3,906,427 which was the result of incorrectly releasing assets from restrictions and incorrectly classifying receivables as deposits in transit.
- Accounts receivable was overstated by \$15,580.
- Fund balance was understated by \$5,338,282.
- Revenues were overstated by \$1,924,737.
- Accounts payable was understated by \$243,142.
- Expenses were understated by \$556,942.

**Cause:** The Commission does not have established procedures to ensure that financial statements are prepared in accordance with GAAP.

**Effect:** Without accurate and timely financial statements, it is difficult to effectively manage an organization and ensure that assets are safeguarded. Additionally, this condition significantly inhibits the ability of those charged with governance to fulfill their fiduciary oversight responsibilities. Accordingly, errors and/or fraud could go undetected.

**Recommendation:** Management should develop procedures to ensure that the financial statements are prepared in accordance with GAAP and presented to management and the members of the Commission on a regular basis for review and approval. The procedures should ensure that all transactions are recorded in the general ledger and reported in the financial statements in accordance with GAAP.

**Views of Responsible Officials and Planned Corrective Actions:** We acknowledge and accept the auditors’ report and will implement changes necessary to address this issue.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–21 LACK OF SEGREGATION OF DUTIES IN FINANCIAL ACCOUNTING AND REPORTING**  
**(Prior Year Finding 2007–27)**

**State Agency**  
West Virginia Racing Commission

**Criteria:** Internal control over financial reporting should include procedures to ensure that all aspects of the financial reporting process be subject to review by someone other than the preparer.

**Condition:** We noted during our procedures that the Director of Audits is solely responsible for all aspects of financial reporting. In addition to the actual presentation of the financial statements, the Director of Audits prepares a number of the supporting schedules, as well as a number of key financial calculations which significantly affect the operations of the Commission, all without independent supervisory review and approval. Specifically, the Director of Audits prepares the following schedules and calculations without independent review and approval:

- Computation of the accrued liability for compensated absences.
- Computation of the amount of thoroughbred and greyhound development funds available for disbursement.
- Computation of the amount of monthly transfer to the West Virginia General Revenue Fund.
- All accruals for accounts payable and accounts receivable.
- Computation of depreciation expense.

**Cause:** The Commission staff do not possess the necessary expertise to provide supervisory review of the financial statements or related information.

**Effect:** Errors or fraud could occur and not be detected in a timely manner.

**Recommendation:** We suggest the Commission consider allocating additional resources to financial accounting and reporting in order to reduce the risks associated with having one person solely responsible for these functions. This would also improve internal control by permitting the Director of Audits to assume increased supervisory responsibility for the financial statements.

**Views of Responsible Officials and Planned Corrective Actions:** We acknowledge and accept the auditors' report and will implement changes necessary to address this issue.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–22 LACK OF SEGREGATION OF DUTIES – OCCUPATIONAL LICENSES AND FINES**  
**(Prior Year Finding 2007–28)**

**State Agency**  
West Virginia Racing Commission

- Criteria:** A fundamental concept of an effective system of internal control is adequate segregation of incompatible duties. The basis premise is that no one employee should have access to both the physical asset and the related accounting records or to all phases of a transaction.
- Condition:** During our procedures, we noted that there was no independent reconciliation of the cash received and the cash deposited from occupational licenses and fines. Accordingly, one employee at each facility is responsible for all phases of the cash receipts process related to occupational licenses and fines.
- Cause:** The Commission has not established a formal process of internal control over cash receipts that adequately segregates incompatible duties.
- Effect:** Errors or fraud could occur and not be detected in a timely manner.
- Recommendation:** We recommend that the Commission establish a formal process in which the receipts for occupational licenses and fines are reconciled to the license book or the relevant stewards' orders by someone independent of the cash receipts process, and further, that the accounting and recording for the licenses is performed by someone independent of the receipt and reconciliation process.
- Views of Responsible Officials and Planned Corrective Actions:** We acknowledge and accept the auditors' report and will implement changes necessary to address this issue.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–23 LACK OF SEGREGATION OF DUTIES – SUPERVISORY REVIEW – PARI-MUTUEL TAXES**  
**(Prior Year Finding 2007–29)**

**State Agency**  
West Virginia Racing Commission

- Criteria:** A fundamental concept of an effective system of internal control is appropriate supervisory review of significant transaction activity. The basic premise being that all significant transactions of the Commission are independently reviewed prior to the transaction being approved and recorded in the Commission’s accounting records.
- Condition:** During our procedures, we noted that for pari-mutuel tax receipts, there was a lack of segregation of incompatible duties. Specifically, we noted that there was no independent review and approval performed of the pari-mutuel tax calculations prepared by the Commission’s track auditors.
- Cause:** The Commission has not established a formal process of internal control over cash receipts that adequately segregates incompatible duties.
- Effect:** Errors or fraud could occur and not be detected in a timely manner.
- Recommendation:** We recommend that the Commission establish a formal process in which the calculated pari-mutuel taxes are reviewed and compared to the tote reports by a Commission employee independent of the calculation process, and that the receipts are recorded by a Commission employee independent of the calculation and reconciliation process.
- Views of Responsible Officials and Planned Corrective Actions:** We acknowledge and accept the auditors’ report and will implement changes necessary to address this issue.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–24 NONCOMPLIANCE WITH STATUTORY TRANSFERS  
(Prior Year Finding 2007–30)**

**State Agency**  
West Virginia Racing Commission

**Criteria:** West Virginia (WV) Code specifies four specific transfers of funds which must be made by the Commission. These transfers are outlined as follows:

<u>WV Code</u>	<u>Transfer From</u>	<u>Transfer To</u>
WV Code § 19-23-14	FIMS Fund 7300	WV General Revenue Fund
WV Code § 19-23-11	FIMS Fund 7305	WV General Revenue Fund
WV Code § 19-23-13 (b)(a)	Thoroughbred Development Fund	FIMS Fund 7304
WV Code § 19-23-10(d)	Greyhound Development Fund	FIMS Fund 7307

**Condition:** We noted that the Commission has not transferred or accrued sufficient funds to comply with WV Code.

<u>WV Code</u>	<u>Actual Transfer</u>	<u>Additional Transfer or Accrual per WV Code</u>
WV Code § 19-23-14	\$ 402,631	\$ 22,237
WV Code § 19-23-11	\$ 581,148	\$ 39,573
WV Code § 19-23-13 (b)(a)	\$ 150,000	\$ 246,158
WV Code § 19-23-10(d)	\$ 367,177	\$ 425,038

**Cause:** The Commission has not established a formal process of internal control that ensures compliance with the WV Code regarding the required transfers.

**Effect:** The Commission is not in compliance with the WV Code resulting in an underpayment of amounts due.

**Recommendation:** We recommend that the Commission develop an effective system of internal control that ensures compliance with the WV Code regarding the required transfers.

**Views of Responsible Officials and Planned Corrective Actions:** We acknowledge and accept the auditors' report and will implement changes necessary to address this issue.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–25 INTERNAL CONTROL**  
**(Prior Year Finding 2007–35)**

**State Agency**  
Workforce West Virginia

- Criteria:** Management of the Division is responsible for establishing internal controls that reduce to an acceptable level the risk of errors and fraud occurring and not being detected. Furthermore, management is responsible for preparation of the financial statements and related footnote enclosures. Specifically, 29 CFR B720 (a) (1) and (2), July 1, 2006, provides in part, that states must have a financial management system in place to account for the expenditure of grant funds, prepare accurate financial reports and be able to trace funds to a level of expenditures adequate to establish that such funds have not been used in violation of applicable laws and regulations.
- Condition:** Management of the Division has made substantial progress in the timelines of financial reporting and should be given credit for their efforts to achieve the State of West Virginia's required issuance dates. However, as noted in the prior year, the financial statements and original trial balance required several adjustments to be made as a result of the audit to ensure the financial statements were presented in accordance with accounting principles generally accepted in the United States of America.
- Context:** Adjustments were proposed as a result of our audit procedures for the following areas:
- General fund cash and revenue were overstated by \$1.8 million.
  - General fund accounts payable and expenses were understated by \$584 thousand.
  - General fund due to other governments revenue were understated by \$3.0 million.
  - Unemployment insurance fund liability for unemployment compensation and related expenses were understated by \$11.5 million.
  - Unemployment insurance fund cash and revenue were overstated by \$1.2 million.
- Cause:** Management did not have adequate internal control to ensure that the financial statements and related note disclosures are not materially misstated.
- Effect:** The financial statements required audit adjustments and additional note disclosures and revisions to accurately reflect the financial position of the Division.
- Recommendation:** We recommend that management develop internal control policies and procedures to ensure that the financial statements and related note disclosures are accurate and reflective of the actual results of the financial position of the Division.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–25 INTERNAL CONTROL  
(Prior Year Finding 2007–35) (continued)**

**State Agency**  
Workforce West Virginia

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

Workforce West Virginia has implemented internal controls and made huge improvements from last year to this year. However, some areas still need improvements. Management has noted these areas and has already initiated steps to insure that these internal controls are in place for future years so these errors will not occur.

In addition, the State is in the process of procuring a new accounting system (Hackett ERP) that, once in place, will eliminate these errors.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–26 INTERNAL CONTROLS AND FINANCIAL REPORTING**

**State Agency**  
Bluefield State College

**Criteria:** Management of Bluefield State College (BSC) is responsible for establishing internal controls that reduce to an acceptable level the risk of errors and fraud occurring and not being detected. BSC is also responsible to have a financial management system in place to account for the expenditure of grant and other funds, prepare accurate financial reports, and be able to trace funds to a level of expenditures adequate to establish that such funds have not been used in violation of applicable laws and regulations, in a timely manner. In addition, an integral part of an entity's internal controls is the effective segregation of duties, which involves assigning responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets to different individuals, thus reducing the risk of errors or fraud occurring and not being detected in a timely manner.

**Condition:** While conducting the audit, we noted the following weaknesses in internal control:

- Transactions are not being posted in a timely manner to the Banner accounting system.
- There currently are no written policies and procedures in place to differentiate standard journal entries from nonstandard journal entries. Nor are there written procedures in place to define when a journal entry requires supervisory approval and who is authorized to approve such entries.
- We were unable to determine that bank reconciliations were being prepared and reviewed in a timely manner.
- Certain general ledger accounts and processes such as for Public Employees Insurance Agency (PEIA) health insurance were not being reconciled in a timely manner.
- For 4 of the 34 capital assets selected for physical observation, the assets could not be located on the campus. Furthermore, for 2 of the 29 assets located, the assets did not contain the capital asset identification tag.
- A recent legislative audit identified several weaknesses in internal control and noted that certain revenues collected were deposited in the funds for the athletic program and the Bluefield State College Foundation, Inc. instead of in the funds of BSC.

**Context:** Total assets, liabilities, operating revenues, and operating expenses of BSC are \$19.4 million, \$3.1 million, \$15.7 million and \$22.8 million, respectively. The total receipts and expenditures that should have been deposited and expended through BSC total \$136 thousand and \$104 thousand, respectively, for the years ended June 30, 2007 and 2006.

**Cause:** Due to staffing constraints, management has not established proper internal controls in several of the day-to-day accounting processes.

**Effect:** The lack of proper internal controls and processes has created a delay in the timely completion of the audited financial statements. Furthermore, the lack of proper internal controls could result in fraud or errors occurring and not being detected in a timely manner.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–26 INTERNAL CONTROLS AND FINANCIAL REPORTING  
(continued)**

**State Agency**  
Bluefield State College

**Recommendation:** We recommend that management review the daily accounting functions and financial reporting processes to ensure adequate policies and procedures are in place to ensure accurate and timely financial reporting. Management should ensure that the accounting system is posted in a timely manner and that account reconciliations are prepared and reviewed in a timely manner. Furthermore, management should develop formal policies and procedures for journal entry approval.

**Views of Responsible Officials and Planned Corrective Actions:** BSC encountered several networking issues and related Banner finance module issues late in fiscal year 2008 which contributed to several months delay in finalizing the financial statements. In addition, responsibility for two institutional financial processes (Bluefield State College and New River Community and Technical College), an ongoing Legislative Audit since October 2007 with limited BSC staff to support their requests, along with related staffing issues also contributed to the delay. Although a standard procedure for many years with competent staff that have many years of experience in the Accounting Office (total of 38 years), BSC will develop written procedures to validate the process for journal entries along with who is authorized to approve such entries.

Bank reconciliations are now all current and up to date.

BSC will continue to work with PEIA to resolve outstanding issues.

Plans are being put into place to review all equipment capital assets, along with consulting with an independent auditor to review processes and procedures for greater internal controls.

The recent Legislative Audit was related to the Athletic program of BSC and the Bluefield State College Foundation. Additional processes are in place between BSC personnel and Bluefield State College Foundation personnel for receipt and disbursement processing related to Athletics and the Bluefield State College Foundation. Funds deposited in the Bluefield State College Foundation that should have been BSC were about \$7,000.

BSC's Finance and Computer staffs are committed to improving its processes and procedures to provide greater internal controls. New River has indicated it plans to be fully separated from Bluefield State by July 1, 2009, and in doing so, will allow BSC staff to concentrate entirely upon BSC. Also, the Legislative Auditors have indicated they are close to completing the audit work at BSC which will also enable Bluefield State College Finance and Computer staffs to improve upon their responsibilities and duties for BSC.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–27 INTERNAL CONTROLS AND FINANCIAL REPORTING**

**State Agency**

New River Community and Technical College

**Criteria:** Management of New River Community and Technical College (the College) is responsible for establishing internal controls that reduce to an acceptable level the risk of errors and fraud occurring and not being detected. The College is also responsible to have a financial management system in place to account for the expenditure of grant and other funds, prepare accurate financial reports, and be able to trace funds to a level of expenditures adequate to establish that such funds have not been used in violation of applicable laws and regulations, in a timely manner. In addition, an integral part of an entity's internal controls is the effective segregation of duties, which involves assigning responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets to different individuals, thus reducing the risk of errors or fraud occurring and not being detected in a timely manner.

**Condition:** While conducting the audit, we noted the following weaknesses in internal control:

- Transactions are not being posted in a timely manner to the Banner accounting system.
- There currently are no written policies and procedures in place to differentiate standard journal entries from nonstandard journal entries. Nor are there written procedures in place to define when a journal entry requires supervisory approval and who is authorized to approve such entries.
- We were unable to determine that bank reconciliations were being prepared and reviewed in a timely manner.
- Certain general ledger accounts and processes such as for Public Employees Insurance Agency (PEIA) health insurance were not being reconciled in a timely manner.
- For two of the nine capital assets selected for physical observation, the assets could not be located on the campus.

**Context:** Total assets, liabilities, operating revenues, and operating expenses of the College are \$11.1 million, \$1.8 million, \$7.1 million, and \$12.2 million, respectively.

**Cause:** Due to staffing constraints, management has not established proper internal controls in several of the day-to-day accounting processes.

**Effect:** The lack of proper internal controls and processes has created a delay in the timely completion of the audited financial statements. Furthermore, the lack of proper internal controls could result in fraud or errors occurring and not being detected in a timely manner.

**Recommendation:** We recommend that management review the daily accounting functions and financial reporting processes to ensure adequate policies and procedures are in place to ensure accurate and timely financial reporting. Management should ensure that the accounting system is posted in a timely manner and that account reconciliations are prepared and reviewed in a timely manner. Furthermore, management should develop formal policies and procedures for journal entry approval.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–27 INTERNAL CONTROLS AND FINANCIAL REPORTING  
(continued)**

**State Agency  
New River Community and Technical College**

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

Late in fiscal year 2008, Bluefield State College, the College’s contracted service provider, experienced a series of major system failures which resulted in the Banner Finance module not being fully operational, as well as network system problems such as availability of the system and printing capabilities. Once the enterprise-wide systems were brought back on line, a review of the data took place and the remaining transactions were posted which took several months to be fully operational. At this time, Bluefield State College anticipates all data entry will be current and balanced by year–end, and with the transition by New River, transactions are expected to be completed timely.

Written procedures will be established for oversight of journal entries, both standard and nonstandard entries.

Bank reconciliations are completed current and up to date as of February 2009.

The College will continue to work with PEIA to reconcile the remaining unresolved issues.

The equipment asset inventory is being evaluated and a process developed to ensure all inventory above the threshold is accurate and accounted for at the proper location.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–28 UNCLAIMED PROPERTY RECONCILIATION**

**State Agency**  
West Virginia State Treasurer’s Office

- Criteria:** Under the Uniform Unclaimed Property Act (Chapter 36, Article 8 of the State Code), the West Virginia State Treasurer’s Office (the STO) is responsible for maintaining the underlying records of the Unclaimed Property Trust Fund, including accounting for the activity of receipts and disbursements.
- Condition:** The STO maintains a database of unclaimed property; however, the activity in this database is not reconciled to the West Virginia Financial Information System (WVFIMS). For fiscal year 2008, the STO reported a net increase in unclaimed property of \$48.8 while WVFIMS reported a net increase of \$17.4 million. The STO could not explain the reason for the variance.
- Questioned Costs:** N/A
- Context:** The unclaimed property balance at June 30, 2008, is approximately \$152.8 million. Currently, the unclaimed property activity for 2008 has not been reconciled to WVFIMS, and management has not been able to explain the difference.
- Cause:** The STO does not reconcile the activity in the unclaimed property database to WVFIMS.
- Effect:** Left unreconciled, collections of unclaimed property could be misappropriated.
- Recommendation:** The STO should develop a process to reconcile the activity in unclaimed property on a monthly basis. When developing the reconciliation process, the STO should consider segregation of duties and review and approval policies and procedures.
- Views of Responsible Officials and Planned Corrective Actions:** The STO agrees with and has implemented the recommendation, as it continues complying with the Uniform Unclaimed Property Act, West Virginia Code §36-8-1 et seq. The STO Unclaimed Property Division has a new management team, which has written Claims and Receipt Reconciliation procedures for fund 1324 and workers’ compensation in fund 1340, implemented monthly reconciliations, trained staff, and strengthened internal controls.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–29 FINANCIAL REPORTING**

**State Agency**  
Department of Administration

**Criteria:** The Department of Administration, including the Financial Accounting and Reporting Section (FARS), is responsible for the preparation of the State’s Comprehensive Annual Financial Report (CAFR) including preparation of the combining schedules from the information provided by both audited and unaudited agencies. As part of the preparation of the CAFR, FARS is required to evaluate the fund classification and financial reporting following the guidelines outlined in GASB 14 and other professional literature.

**Condition:** In conjunction with their review of fiscal year 2007, the Government Finance Officers Association (GFOA) issued a comment that they thought the School Building Authority (SBA) should be presented as a discretely presented component unit instead of a blended component unit. In the prior year CAFR, the SBA was presented in other governmental funds. In response, FARS reevaluated the presentation of the SBA and agreed with the GFOA that the SBA would be more appropriately presented as a discretely presented component unit. Consequently, in preparing the fiscal year 2008, management had to restate the beginning of the year balances for the fund balance of the other governmental funds and net assets for the component units.

Furthermore, we identified an adjustment increasing the amounts due from the Federal government by \$51 million as a result of a clerical error and a misapplication of facts.

Liabilities for compensated absences, claims and judgments, special termination benefits, and landfill closure and postclosure care costs, at the governmental fund level, are normally expected to be liquidated with “expendable available financial resources,” and should be recognized as governmental fund liabilities, to the extent that they mature each period.

**Context:** The restatement resulted in \$210 million being removed from the fund balance of the governmental funds and net assets of the component units being reduced by \$135 million.

Due from other governments totaled \$279 million as of June 30, 2008.

As of June 30, 2008, the liabilities recorded in the government-wide financial statements related to the environmental liabilities approximated \$522.8 million with \$4.8 million being recorded at the governmental fund level in the general fund.

**Cause:** Management originally misinterpreted the guidance in determining whether the SBA provided services entirely, or almost entirely, for the primary government.

Management’s computation related to the due from Federal government resulted from a clerical error and a misapplication of facts.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–29 FINANCIAL REPORTING**  
**(continued)**

**State Agency**  
Department of Administration

**Effect:** Management had to restate the beginning of the year balances for the fund balance of the other governmental funds and net assets for the component units.

Management recorded an audit adjustment for the error in the amounts due from federal government calculation.

At the governmental fund level, management recorded a liability for more than the matured obligation (i.e., due and payable) and included the amount of expenditures estimated to be made during fiscal year 2009 that had not yet matured as of June 30, 2008. This resulted in an adjustment to decrease the liability recorded in the general fund by \$53.2 million.

**Recommendation:** FARS management should rechallenge the presentation of its component units on an annual basis and determine if any changes in financial statement presentation are necessary, based on the latest professional literature.

Management should work with the respective agencies impacting the due to and from federal government balance to understand the underlying information provided by the respective agencies. Furthermore, sufficient resources should be devoted to detail review the workpapers supporting accounting journal entries.

Finally, management should focus on the presentation of liabilities on the government-wide and governmental financial statements included within the CAFR.

**Views of Responsible Officials and Planned Corrective Actions:** We rechallenge the presentation and concurred that the SBA was more appropriately presented as a discretely presented component unit. We will continue to monitor changes in the operations of the States' component units along with the latest standards and guidance and challenge, if changes in financial statement presentation are necessary.

Management will include a segment on Due To and From federal government in the agency training for fiscal year 2009 and emphasize how to report their information. Further, FARS staff will devote more time to detailed review of all the closing book information submitted by the agencies that supports all the journal entries.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–30 UNCASHED STALE–DATED STATE CHECKS**  
**(Prior Year Finding 2007–31)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Various Programs Administered Through Outside Bank Accounts	Unknown

**Criteria:** Each state department and agency that receives and disburses federal awards is required by OMB Circular A–102 to have a “grantee financial management system which shall provide accurate, current, and complete disclosure of the financial results of each grant program.” Further, OMB Circular A–87 states for costs to be allowable under federal awards, they must be net of all applicable credits. Additionally, 45 CFR 201.67 and 42 CFR 433.40 indicate that disbursements that are not cashed within 180 days must be credited to the Assistance and Medicaid Programs.

**Condition:** The State of West Virginia is still in process of developing procedures to identify and resolve uncashed stale-dated State checks issued through bank accounts outside the Treasurer’s office.

**Questioned Costs:** Unknown

**Context:** Currently, the amount of uncashed stale-dated State checks through outside bank accounts is unknown.

**Cause:** The State of West Virginia is still in process of developing a system to identify the federal portion of the uncashed stale-dated State checks for bank accounts outside the Treasurer’s office.

**Effect:** Federal programs may not be receiving credit for the amount of uncashed stale-dated State checks related to federal awards.

**Recommendation:** The State of West Virginia should continue working on procedures sufficient to enable verification of uncashed stale-dated State checks relative to federal awards through outside bank accounts.

**Views of Responsible Officials and Planned Corrective Actions:** As of June 30, 2008, the WV State Treasurer’s Office (STO) has modified the outside bank account policy that requires state agencies to report uncashed stale-dated checks on an annual basis through the closing book process. The STO will now receive from each agency who has received authorization to have an outside bank account the following:

1. June 30 bank statement
2. June reconciliation
3. An electronic listing of all reconciling items
4. The federal and state % of every reconciling item

This process will allow the STO Cash Management and Unclaimed Property groups to monitor compliance with both the Uniformed Unclaimed Property Act as well as all federal regulations related to not submitting federal funds to Unclaimed Property. Compliance with the federal regulations regarding usage of funds rest with each agency and is to be monitored at the agency level.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–31 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(Prior Year Finding 2007–32)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Various	Various
<b>Criteria:</b>	OMB Circular A–133 Section 300a states, “The auditee shall prepare appropriate financial statements including the schedule of expenditures of Federal awards.”	
<b>Condition:</b>	The Department of Administration Financial Accounting and Reporting Section (FARS) is responsible for preparing the Schedule of Expenditures of Federal Awards (SEFA) for the State using information submitted by State agencies receiving federal monies during the year. The respective State agencies do not always report information and related revisions to the FARS Single Audit coordinator in a timely manner. Last-minute revisions could result in a program going over the major program threshold without being identified in a timely manner to allow completion of the necessary audit procedures by the required OMB Circular A–133 deadline.	
<b>Questioned Costs:</b>	N/A	
<b>Context:</b>	Total federal expenditures for the State included on the SEFA were approximately \$4.0 billion for the fiscal year ended June 30, 2008.	
<b>Cause:</b>	Policies and procedures related to timeliness are not being followed by all State agencies. FARS lacks the enforcement and oversight ability to enforce the established deadlines to ensure timeliness.	
<b>Effect:</b>	Last-minute revisions are made to the SEFA that could result in a major program not being identified in a timely manner.	
<b>Recommendation:</b>	We recommend that FARS continue to work with the Governor’s Office to seek assistance in having the State agencies prioritize completion of accurate SEFA information in a timely manner.	
<b>Views of Responsible Officials and Planned Corrective Actions:</b>	West Virginia’s grants are handled by individual agencies and the FARS relies on these agencies to submit accurate, timely information. Annual year-end training with all agencies reemphasized the need for accuracy and timeliness. The Governor’s Office also has communicated their desire for accuracy and timely completion of the SEFA. FARS will work with the problem agencies toward a resolution of this issue. In addition, FARS is also devising other methods to determine that all grants are accounted for.	

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–32 RECERTIFICATION**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Food Stamps Cluster Grant Award 2008–1WV400401/1WV420451	10.551/10.561

**Criteria:** State agencies are required to automate their Food Stamps Program operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning the Food Stamps Program (7 CFR sections 272.10 and 277.18). This includes: (1) providing for an automatic cutoff of participation for households which have not been recertified at the end of their certification period and (2) notifying the certification unit (or generate notices to households) of cases requiring notices of case disposition, adverse action and mass change, and expiration. (7 CFR Section 272.10(b) (iii) and (iv)).

**Condition:** While reviewing the recertification process for the Food Stamps Program, we noted that for one case the review date was set to a default “high date” in RAPIDS and an appointment letter was not automatically generated by the system to schedule a recertification review. This case was not reviewed during the time period for recertification, and benefits were not automatically shut off by the system or manually shut off by the caseworker as a result of a review not being performed.

**Questioned Costs:** Unknown

**Context:** Total federal expenditures for the Food Stamps Program were \$309,039,667 for the fiscal year ended June 30, 2008.

**Cause:** A review date may default to a “high date” in RAPIDS if the review date does not correctly reset after the last review. The case was not triggered for automatic shut off of benefits in the system since the review date had not lapsed. Caseworkers are responsible for checking RAPIDS to ensure that the appropriate cases are scheduled for review and adjust the review date accordingly; however, appropriate steps were not taken by the caseworker to change the review date or set up a review.

**Effect:** Ineligible or potentially ineligible claims may have been reimbursed using federal funds.

**Recommendation:** Department of Health and Human Resources (DHHR) caseworkers should check review dates in RAPIDS to ensure that dates are appropriate and cases are scheduled for recertification review during the appropriate time period.

**Views of Responsible Officials and Planned Corrective Actions:** Bureau of Children and Families (BCF) is working with RAPIDS to develop a screen edit that will display an error message anytime a worker attempts to enter a review date that is not legitimate. The worker will not be able to confirm the case until the review date is entered correctly.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-33 FEDERAL REPORTING**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Department of Health and Human Resources	
	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557
	Grant Award 1WV720701	
	Grant Award 1WV700701	

**Criteria:** 7 CFR Section 246.25(b) states “State agencies must submit financial and program performance data on a monthly basis, as specified by FNS, to support program management and funding decisions.”

Specifically, the Special Supplemental Nutrition Program for Women Infants and Children (WIC) is required to file the FNS-798 *WIC Financial Management and Participation Report* (OMB No 0584-0045).

**Condition:** The USDA conducted a State Technical Assistance Review (STAR) of the West Virginia WIC program during fiscal year 2008 with the objective to determine compliance with WIC program regulations, applicable policies, and other requirements relative to WIC program reporting. As a result, it was noted that data provided on the July, August, September, October, and November 2007 monthly FNS-798 reports were not accurate.

**Questioned Costs:** N/A

**Context:** Total federal expenditures for the WIC program were \$34,346,509 for the year ended June 30, 2008.

**Cause:** Adequate review was not performed prior to submission of FNS reports. Also, supporting documentation of calculations was not maintained in a central location and the employee who prepared the report was no longer employed.

**Effect:** Inaccurate data was reported on the federal reports filed with the grantor agency.

**Recommendation:** Department of Health and Human Resources (DHHR) should follow review procedures to ensure that federal reports are accurate, complete, and reconciled to the underlying documentation. Additionally, documentation should be maintained supporting the reconciliation and review procedures.

**Views of Responsible Officials and Planned Corrective Actions:** During the reporting period in question, the WIC program accountant had resigned his position and the Bureau for Public Health was in the process of centralizing financial activity; with the implementation of Central Finance, staff departures will not be as disruptive.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–34 PROGRAM INCOME INTERNAL CONTROLS**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Interior	
	Fish and Wildlife Cluster	
	Sport Fish Restoration Program	15.605
	Wildlife Restoration Program	15.611

**Criteria:** Section §5A–8–9 of the West Virginia State Code states in part that, agency heads “shall 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.” Furthermore, management is responsible for establishing internal controls over program income to minimize the risk of errors or fraud occurring and not being detected.

**Condition:** The Fish and Wildlife Cluster receives program income in the form of royalty payments from certain land purchases; however, management does not have internal controls in place to ensure that all of the proper royalty payments are received and accurately recorded.

**Questioned Costs:** N/A

**Context:** Total program income for the Fish and Wildlife Cluster was \$644,591 for the year ended June 30, 2008. Total federal expenditures for the Fish and Wildlife Cluster were \$6,482,939 for the fiscal year ended June 30, 2008.

**Cause:** Management has not established proper internal controls over the tracking and receipt of program income.

**Effect:** The lack of proper internal controls over program income prevents management from ensuring that all program income due them is received and properly reported at both the State and federal levels.

**Recommendation:** We recommend that management implement stronger controls in the area of program income. Controls such as review of budget versus actual collections, a monthly checklist of royalty payments anticipated to be received, or other controls would enhance management’s ability to determine if that program income is properly received and recorded.

**Views of Responsible Officials and Planned Corrective Actions:** Policies and procedures have now been formalized to monitor program income receipts. The Accounting Technician who enters the deposit information into the database used to track deposits will start including the time period from the report included with the royalty check. The Accounting Technician will then scan a copy of the report and save it on the Wildlife Resources network.

The Administrative Services Manager for the DNR Wildlife Resources section will run a query from the database located at P:/Accounting\_db.mdb. This query will show the checks deposited from Cabot Oil and DC Malcolm for the grant period. If any there is a time period that is missing, an inquiry will be made with either Cabot Oil and Gas or DC Malcolm.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–35 SUBRECIPIENT MONITORING – AUDIT REPORTS**  
**(Prior Year Finding 2007–36)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Labor Workforce Investment Act (WIA) Cluster Grant Award AA–16063–07–55–A–54	17.258/17.259/17.260

**Criteria:** All subrecipients subject to Office of Management and Budget (OMB) Circular A–133 spending more than \$500,000 in federal awards must have required audits completed in accordance with OMB Circular A–133 and provide copies of their audit reports to the primary recipient. The required audits must be completed within nine months of the end of the subrecipient’s audit period and a management decision on audit findings must be issued within six months after receipt of the subrecipient’s audit report.

Furthermore, 20 CFR 667.410 (b)(iii) and (4), April 1, 2005, requires that the State’s monitoring system must enable the Governor to determine if subrecipients have demonstrated substantial compliance with Workforce Investment Act Cluster (WIA Cluster) requirements, and the Governor must require that prompt corrective action be taken if any substantial violation of identified standards is found.

**Condition:** We reviewed the subrecipient monitoring of audit reports for the Office and noted the following issues:

- Two of the eighteen subrecipient audit reports were received by Workforce West Virginia (WWV) after the required date of submission.
- For one of the seven subrecipient audit reports tested, the monitoring log indicated that the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with GAS contained all of the required elements of such a report; however, upon review of the report, the independent auditors did not properly include a statement of whether there were or were not significant deficiencies and/or material weaknesses noted during their audit.

**Questioned Costs:** Unknown

**Context:** Total federal awards disbursed to the various subrecipients for the year ended June 30, 2008, were as follows:

- Two of eighteen subrecipients – \$4,633,019
- One of seven subrecipients – \$1,431,012

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–35 SUBRECIPIENT MONITORING – AUDIT REPORTS  
(Prior Year Finding 2007–36) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Labor Workforce Investment Act (WIA) Cluster	17.258/17.259/ 17.260
	Grant Award AA–16063–07–55–A–54	

Total federal expenditures to subrecipients for the WIA Cluster were \$14,431,024 for the year ended June 30, 2008. Total federal expenditures for the WIA Cluster were \$16,093,603 for the year ended June 30, 2008.

Total federal expenditures to subrecipients for the WIA Cluster were \$15,520,164 for the year ended June 30, 2007. Total federal expenditures for the WIA Cluster were \$17,102,700 for the year ended June 30, 2007.

**Cause:** Management indicated that there were delays in the timing of the audits for various reasons which caused the audits to not be submitted in a timely manner. Management indicated that oversight contributed to the inconsistent completion of the monitoring log and follow-up on resolving noted issues.

**Effect:** WWV is unable to determine, in a timely manner, the existence of material noncompliance or internal control issues with subrecipients that may be identified through the monitoring process.

**Recommendation:** WWV currently has some procedures in place to monitor and track subrecipient audit reports. However, management should continue to implement and enhance these procedures and follow up with subrecipients subject to OMB Circular A–133 requirements to determine that required audits are completed and that all identified audit findings are resolved in a timely manner.

**Views of Responsible Officials and Planned Corrective Actions:** WWV has maintained constant communication and tracking to ensure that the audit reports are submitted timely. One of the agencies submitted a second request to their cognizant agency requesting an additional extension; no response was forthcoming from the cognizant agency and their report was late. The second agency’s audit was completed late due to a pending law suit against the CPA firm that completed their audits for the prior four years. Thus, their report was late as well.

WWV will continue to strive to ensure that all subrecipients subject to OMB Circular A-133 requirements have required audits completed and submitted to the clearinghouse in a timely manner.

In addition, WWV will strive to ensure that all required statements are listed within the audit reports according to the checklist required by A-133. If statements are missing, the grantee will be notified in writing of the error.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–36 SUBRECIPIENT MONITORING – ON-SITE MONITORING  
(Prior Year Finding 2007–37)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Labor Workforce Investment Act (WIA) Cluster Grant Award AA–16063–07–55–A–54	17.258/17.259/17.260

**Criteria:** Office of Management and Budget (OMB) Circular A–133, Subpart C, Section.300(b) requires the pass-through entity to “Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

Pass-through entities are required to develop monitoring procedures including programmatic and financial monitoring to ensure subrecipients have used federal funds for authorized purposes. Workforce West Virginia (WWV) procedures require that an on-site monitoring of each subrecipient be performed annually.

Furthermore, 20 CFR 667.410 (b)(iii) and (4), April 1, 2005, requires that the State’s monitoring system must enable the Governor to determine if subrecipients have demonstrated substantial compliance with the Workforce Investment Act Cluster (WIA Cluster) requirements and the Governor must require that prompt corrective action be taken if any substantial violation of identified standards is found. In addition, 29 CFR 97.40(a), July 1, 2005, states in part, “Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements ....” Also, 20 CFR 667.410(b)(3), April 1, 2005, requires that “the State must conduct an annual on-site monitoring review of each local area’s compliance with DOL uniform administrative requirements ....”

**Condition:** We reviewed the subrecipient programmatic monitoring for WWV and noted the following issues:

- WWV completed on-site monitorings of the seven Workforce Investment Boards (WIB). As of the date of our fieldwork, three of the seven WIB had not provided written corrective action plans in response to the findings identified.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–36 SUBRECIPIENT MONITORING – ON-SITE MONITORING  
(Prior Year Finding 2007–37) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Labor Workforce Investment Act (WIA) Cluster	17.258/17.259/ 17.260
	Grant Award AA–16063–07–55–A–54	

- The on-site monitorings identified many significant issues such as missing documentation to support the eligibility and allowability of transactions, noncompliance with the cash management regulations, internal control deficiencies, the lack of an approved cost allocation plan, time sheet discrepancies, performance standard issues, programmatic monitoring issues, and the overobligation of federal funds. Specifically, one WIB has had significant issues identified which are currently under investigation.
- Management did not perform any on-site monitoring on subrecipients other than the WIBs.

**Questioned Costs:** Unknown

**Context:** Management has settled with the U.S. Department of Labor (USDOL) all disallowed costs that were identified during monitoring procedures. However, due to the lack of proper monitoring procedures, the ultimate disallowance is unknown at this time. Total federal expenditures to subrecipients for the WIA Cluster were \$14,431,024 for the year ended June 30, 2008. Total federal expenditures for the WIA Cluster were \$16,093,603, for the year ended June 30, 2008.

**Cause:** Management indicated that on-site monitoring and follow-up to the previous on-site monitoring was not performed timely due to time constraints and staffing issues.

**Effect:** WWV is unable to determine, in a timely manner, the existence of material noncompliance or internal control issues with subrecipients that may be identified through the monitoring process.

**Recommendation:** We recommend that WWV establish monitoring procedures to ensure that on-site monitoring is performed annually. Furthermore, management should devote the necessary resources to ensure monitoring and the resolution of issues in a timely manner.

**Views of Responsible Officials and Planned Corrective Actions:** WWV incorporates the corrective action plans in the final monitoring reports. Regarding the WIB in question, WWV did not believe that the findings warranted a corrective action plan. Hereafter, WWV will put a statement to that effect in the final monitoring report.

Regarding the second bullet to this finding, WWV worked with the USDOL to resolve the central office findings first. Once those were resolved, WWV worked with the USDOL and the WIB to resolve the findings at the local WIB level. Due to the amount of time that it took to resolve these issues, the findings were not resolved at the local level until June 30, 2008. This is the reason they were listed within two consecutive monitoring reports.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-36 SUBRECIPIENT MONITORING – ON-SITE MONITORING  
(Prior Year Finding 2007-37) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Labor Workforce Investment Act (WIA) Cluster	17.258/17.259/ 17.260
	Grant Award AA-16063-07-55-A-54	

Regarding the third bullet to this finding, WWV has been through a two-year-long extensive hiring process to have enough team members on board to complete all of the required on-site monitoring visits. Effective December 16, 2008, two new team members were brought on board. These new employees will be assigned to complete the additional required on-site monitoring visits.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–37 U.S. DEPARTMENT OF LABOR AUDIT REVIEW**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b> U.S. Department of Labor Workforce Investment Act (WIA) Cluster Grant Award AA-16063-07-55-A-54	<b>CFDA#</b>  17.258/17.259/ 17.260
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**Criteria:** Each state department and agency that receives and disburses federal awards is required by OMB Circular A—102 to have a “grantee financial management system which shall provide accurate, current, and complete disclosure of the financial results of each grant program.”

The management of Workforce West Virginia (WWV) is responsible for establishing and maintaining controls over the processing of payments and eligibility to minimize the risk of errors and fraud occurring and not being detected.

**Condition:** The June 2008 U.S. Department of Labor (USDOL) Technical Assistance and Fiscal and Administrative Monitoring Report (the Report) noted several compliance issues within the WIA Cluster program for Program Years 2006 and 2007. The Report outlines each of the compliance issues at the State and local levels and provides detailed recommendations for resolving each one.

Furthermore, subsequent to year end management and certain external agencies began an investigation of a third-party subrecipient that received federal WIA Cluster dollars. An employee of the third-party subrecipient was convicted of fraud and certain allegations regarding the convicted employee and related person employed by WWV, who may have been involved with the grant award. These matters are under current investigation.

**Questioned Costs:** Unknown

**Context:** Total federal expenditures to subrecipients for the Workforce Investment Act Cluster (WIA Cluster) were \$14,431,024 for the year ended June 30, 2008. Total federal expenditures for the WIA Cluster were \$16,093,603 for the year ended June 30, 2008.

**Cause:** WWV and the local Workforce Investment Boards (WIBs) have not properly implemented all of the USDOL recommendations noted in the Report due to resource constraints. However, several of the issues have been or are being currently resolved with the USDOL as a result of agreed-upon procedures conducted in 2007 for the year ended June 30, 2006. The WWV employee may have not properly disclosed her relationship to the third-party subrecipient.

**Effect:** WWV is unable to determine, in a timely manner, the existence of material noncompliance or internal control issues at both the State and local levels that may be identified through the application of effective controls and monitoring of those controls. Furthermore, a third-party subrecipient may have inappropriately received federal awards.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-37 U.S. DEPARTMENT OF LABOR AUDIT REVIEW  
(continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Labor Workforce Investment Act (WIA) Cluster Grant Award AA-16063-07-55-A-54	17.258/17.259/ 17.260

**Recommendation:** In order to reduce the possibility and frequency of noncompliance with federal regulations, we recommend that WWV work together with the U.S. Department of Labor to timely address the recommendations in the Report. Furthermore, management should continue to investigate and resolve the allegations regarding the third-party subrecipient and employee of WWV.

**Views of Responsible Officials and Planned Corrective Actions:** WWV is working with the USDOL and has resolved or is currently resolving the issues listed within the Federal Monitoring Review.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–38 INFORMATION SYSTEMS CONTROLS  
(Prior Year Finding 2007–39)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	West Virginia Department of Transportation Division of Highways	
	U.S. Department of Transportation, U.S. Appalachian Regional Commission	
	Highway Planning and Construction Cluster	20.205
	Appalachian Development Highway System	23.003
	Federal Transit Capital Improvement Grant	20.500
	Public Transportation for Nonurbanized Areas	20.509
	Highway Safety Cluster	
	State and Community Highway Safety	20.600
	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601
	Safety Incentive Grants for Use of Seatbelts	20.604
	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605
	Incentive Grant Program to Prohibit Racial Profiling	20.611
	Child Safety and Child Booster Seat Incentive Grants	20.613
	U.S. Department for Homeland Security	
	Public Assistance Grants	97.036

**Criteria:** The management of the Department is responsible for establishing and maintaining adequate information systems internal controls over financial reporting. Furthermore, an integral part of an entity’s internal control is the effective segregation of duties, which involves assigning responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets to different individuals, thus reducing the risk of errors or fraud occurring and not being detected. The Department entered into an agreement with the West Virginia Office of Technology (OT) dated February 1, 2007, pursuant to West Virginia Code Article 6 Chapter 5A, OT is providing the Department with a standardized technology infrastructure from a centrally managed technology infrastructure support organization. The expected benefit is a decline in technology cost, network and system availability is expected to improve, and security risks to diminish. While the Department and West Virginia Code outsourced the technology infrastructure of the Department to OT, the Department retains the final responsibility for establishing and maintaining adequate information systems internal controls over financial reporting.

**Condition:** The Department operates a wide variety of computer applications, many of which affect federal and state programs’ data. During our review of the information systems controls, we noted the following:

- Through the OT, the Department had a vulnerability test conducted on all access points from the OT systems to the firewall at the Department’s system access point. However, the vulnerability test performed did not include a test of the internal network or the wireless networks utilized by the Department. By completing this review, the Department will have assurance that network devices and server platforms are protected from current and emerging threats and vulnerabilities. Additionally, there are no policies and procedures in place for conducting periodic vulnerability testing and intrusion testing of the various computer systems maintained by the Department. (Noted in prior year)

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–38 INFORMATION SYSTEMS CONTROLS  
(Prior Year Finding 2007–39) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	West Virginia Department of Transportation Division of Highways	
	U.S. Department of Transportation, U.S. Appalachian Regional Commission	
	Highway Planning and Construction Cluster	20.205
	Appalachian Development Highway System	23.003
	Federal Transit Capital Improvement Grant	20.500
	Public Transportation for Nonurbanized Areas	20.509
	Highway Safety Cluster	
	State and Community Highway Safety	20.600
	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601
	Safety Incentive Grants for Use of Seatbelts	20.604
	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605
	Incentive Grant Program to Prohibit Racial Profiling	20.611
	Child Safety and Child Booster Seat Incentive Grants	20.613
	U.S. Department for Homeland Security	
	Public Assistance Grants	97.036

**Questioned Costs:** N/A

**Context:** Information systems controls potentially can affect all federal and State programs and are critical to the daily operations of the Department.

**Cause:** Policies and procedures have not been adequately updated and information system controls may have not been monitored by the Department.

**Effect:** Unauthorized use and/or access to critical information systems may occur and not be detected.

**Recommendation:** The Department should complete a vulnerability assessment of the internal network environment and related wireless networks. These reviews could be conducted under a statewide contract that is currently in place. Furthermore, we recommend that the Department develop policies and procedures for conducting periodic vulnerability and intrusion testing of the various computer systems maintained by the Department.

**Views of Responsible Officials and Planned Corrective Actions:** The OT is establishing an Internal IT Review and Audit function. As part of this function, the OT is developing a proposal to procure the services of an independent firm to conduct an initial, comprehensive, security assessment of the internal and external network environment. The plan is to issue the proposal in FY 2009. The OT is a cost for service organization. Accordingly, the costs associated with the security assessment will be assumed and shared by the agencies benefiting from the review.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–38 INFORMATION SYSTEMS CONTROLS  
(Prior Year Finding 2007–39) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	West Virginia Department of Transportation Division of Highways	
	U.S. Department of Transportation, U.S. Appalachian Regional Commission	
	Highway Planning and Construction Cluster	20.205
	Appalachian Development Highway System	23.003
	Federal Transit Capital Improvement Grant	20.500
	Public Transportation for Nonurbanized Areas	20.509
	Highway Safety Cluster	
	State and Community Highway Safety	20.600
	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601
	Safety Incentive Grants for Use of Seatbelts	20.604
	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605
	Incentive Grant Program to Prohibit Racial Profiling	20.611
	Child Safety and Child Booster Seat Incentive Grants	20.613
	U.S. Department for Homeland Security	
	Public Assistance Grants	97.036

The OT has purchased and installed the Tenable Security Center (TSC) to provide asset-based vulnerability testing. The OT has initiated the scanning, reporting, and follow-up processes. Weekly scans are being performed and scan reports are being sent to the appropriate asset owner. The OT will work with asset owners to refine the reporting and follow-up processes.

The OT is developing a vulnerability remediation policy, has issued a draft internal IT audit policy/procedure, and is drafting a network vulnerability assessment procedure. These are expected to be finalized in FY 2009.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–39 PAYROLL AUTHORIZATION PROCEDURES  
(Prior Year Finding 2007–42)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Transportation	
	U.S. Appalachian Regional Commission	
	Highway Planning and Construction Cluster	
	Highway Planning and Construction	20.205
	Appalachian Development Highway System	23.003
	U.S. Department for Homeland Security	
	Public Assistance Grants	97.036

**Criteria:** The management of the Department is responsible for establishing and maintaining adequate controls related to the approval of payroll for employees of the Department.

**Condition:** We reviewed individual employee payroll cash disbursements during the fiscal year ended June 30, 2008 and noted the following:

The daily labor reports (DOT – 12) are not being properly approved prior to entry in the Department’s payroll system. Additionally, we noted a lack of segregation of duties related to the entry and approval of payroll transactions.

We reviewed 40 Department employee payroll cash disbursements during the fiscal year ended June 30, 2008 and noted the following:

- There were four instances identified where there was no signature approval on the DOT – 12.
- There was one instance where no supervisory approval was found on an annual leave slip.
- There were seven instances identified in which the DOT – 12 was approved by an employee who was also being paid on the same form. Additionally, there were two instances where the DOT – 12 was prepared, entered, and approved by the same employee.

We reviewed 22 small agency employee payroll cash disbursements during the fiscal year ended June 30, 2008 and noted the following:

- There was one instance where no annual leave slip was provided.

We reviewed 40 Department employee payroll overtime cash disbursements during the fiscal year ended June 30, 2008, and noted the following:

- There were two instances identified where there was no signature approval on the DOT – 12. Also, there was one instance where there was no signature approval on the employee time report.
- There were six instances identified where there was no signature approval on the overtime justification form. Additionally, there was one instance where no overtime justification form was found.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–39 PAYROLL AUTHORIZATION PROCEDURES  
(Prior Year Finding 2007–42) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Transportation	
	U.S. Appalachian Regional Commission	
	Highway Planning and Construction Cluster	
	Highway Planning and Construction	20.205
	Appalachian Development Highway System	23.003
	U.S. Department for Homeland Security	
	Public Assistance Grants	97.036

- There were five instances identified in which the DOT – 12 was approved by an employee who was also being paid on the same form. Additionally, there were two instances where the DOT – 12 was prepared, entered, and approved by the same employee.
- There were two instances identified of improper completion of the DOT – 12. A screen print page was used to report holiday pay instead of preparing a DOT – 12.

**Questioned Costs:** Unknown

**Context:** Total payroll expense for fiscal year ended June 30, 2008, was approximately \$169 million.

**Cause:** The Department appears to have sound policies and procedures in place for the approval of individual employee pay but has failed to actively enforce the procedures.

**Effect:** Amounts claimed as compensation may not be indicative of the actual hours worked.

**Recommendation:** We recommend that the Department enforce and monitor existing payroll authorization procedures.

**Views of Responsible Officials and Planned Corrective Actions:** The Chief Engineer and Business Manager will work with the Finance Division to develop a memorandum from the Commissioner to all DOH reiterating the approval process and the need for compliance.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–40 MISAPPLICATION OF FEDERAL HIGHWAYS EMERGENCY RELIEF FUNDS**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Transportation	
	U.S. Appalachian Regional Commission	
	Highway Planning and Construction Cluster	
	Highway Planning and Construction	20.205
	Appalachian Development Highway System	23.003

**Criteria:** Title 23, United States Code, Section 125, created a special program from the Highway Trust Fund for the repair or reconstruction of federal-aid highways and roads on federal lands which have suffered serious damage as a result of (1) natural disasters or (2) catastrophic failures from an external cause. This program is commonly referred to as the Emergency Relief (ER) program. The Department has established policies and procedures for the proper administration of flood-related damages in conjunction with this program.

**Condition:** A West Virginia Department of Transportation (DOT) Auditing report dated June 3, 2008, identified several significant deficiencies related to its review of ER flood authorizations in District Six. Per Department management’s request, the review focused on flood events of September 2004 and January 2005. ER funds totaling \$13.5 million were allocated for 83 sites for the September 2004 event while \$9.5 million was allocated for 85 sites for the January 2005 event. The areas of concern identified by this review were charges to the wrong site, charges to nonapproved sites, and charges to non-flood-related repairs. This report was provided to the Federal Highway Administration (FHWA), which responded by taking the following actions:

- Suspension of reimbursement payments for District Six ER work incurred but unbilled.
- Suspension of all new funding authorizations for District Six except for projects affecting public safety.
- Deferral of contract letting for authorized Federal Aid projects in District Six.

FHWA has provided the Department with a three-part plan that must be completed before the above restrictions can be lifted:

- Written controls and procedures must be in place in District Six to address the identified significant deficiencies.
- The Department must provide FHWA a reconciliation of questioned billings related to the September 2004 and January 2005 flood events that have already been reimbursed.
- The Department must test ER authorizations in other districts to determine if similar significant deficiencies are present.

**Questioned Costs:** \$2,000,000

**Context:** Total Federal Highways Emergency Relief Funds (ER funds) expenditures for the years ended June 30, 2005 and 2004 were \$9.5 and \$13.5 million, respectively.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-40 MISAPPLICATION OF FEDERAL HIGHWAYS EMERGENCY RELIEF FUNDS  
(continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Transportation	
	U.S. Appalachian Regional Commission	
	Highway Planning and Construction Cluster	
	Highway Planning and Construction	20.205
	Appalachian Development Highway System	23.003

**Cause:** The Department failed to monitor and actively enforce the procedures related to the expenditure of ER funds.

**Effect:** Federal awards earmarked for disaster relief projects were misappropriated.

**Recommendation:** We recommend that the Department complete the three steps outlined by FHWA and develop policies and procedures to ensure the proper application of federal funds.

**Views of Responsible Officials and Planned Corrective Actions:** The DOH has drafted revisions to the Administrative Operating Procedures that would address the significant deficiencies in controls found in the application of ER funds in District Six (D-6).

D-6 has reviewed all projects and billings for the September 2004 and January 2005 flood events. An independent review of these charges is being performed by a team from the central office and includes personnel from Finance, Maintenance and Auditing. This team has also worked with personnel from FHWA to resolve this issue.

The Finance Division did perform a test regarding projects in other Districts and found no additional significant deficiencies.

This test was reviewed by DOT Audit and was shared or can be shared with FHWA and Federal Emergency Management Agency (FEMA) Auditors.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-41 INVENTORY PROCESS AND PROCEDURES**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Transportation	
	U.S. Appalachian Regional Commission	
	Highway Planning and Construction Cluster	
	Highway Planning and Construction	20.205
	Appalachian Development Highway System	23.003

**Criteria:** The management of the Department is responsible for establishing policies and procedures to adequately report and safeguard inventory.

**Condition:** We observed physical inventory counts on June 29, 2008. The four districts selected for observation were Districts One, Two, Three, and Six. While minor issues were identified in most districts, significant issues regarding the inventory process and procedures were identified in District Six. These include:

- Unsuccessful client recounts of inventory items after initial inventory counts by auditors identified errors.
- Insufficient manpower to perform the inventory.
- Lack of proper training and knowledge of inventory procedures.

**Questioned Costs:** Unknown

**Context:** Total inventory at June 30, 2008, was approximately \$34 million.

**Cause:** District supervisors failed to observed Department policies and procedures.

**Effect:** Amounts reported as inventory may not be correct.

**Recommendation:** We recommend that the Department enforce and monitor existing inventory control procedures.

**Views of Responsible Officials and** The District Manager will be instructed to provide sufficient manpower and to insure that proper training of inventory procedures are relayed to personnel involved.

**Planned Corrective Actions:** District Six will hold a training meeting prior to the physical inventory. The District Engineer/Manager has already provided instructions to his staff that the conducting of a complete and accurate physical inventory will be a priority at the end of the fiscal year. The District Engineer/Manager has also advised his staff they will assign personnel to complete the inventory that are trained and competent. District Six has requested assistance in performing quarterly inventories based on their past error rates. The staff of District Six believes this will help to protect the taxpayers' investment and improve the accountability for issuing inventory items.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–42 SUBRECIPIENT MONITORING  
(Prior Year Finding 2007–44)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	West Virginia Department of Transportation Division of Highways	
	State and Community Highway Safety	20.600
	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601
	Safety Incentive Grants for Use of Seatbelts	20.604
	State Traffic Safety Information System Improvement Grants0.611	20.610
	Incentive Grant Program to Prohibit Racial Profiling	20.611
	Incentive Grant Program to Increase Motorcycle Safety	20.612
	Child Safety and Child Booster Seat Incentive Grants	20.613
	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608

**Criteria:** Pass-through entities are required to develop monitoring procedures including programmatic and financial monitoring to ensure subrecipients have used federal funds for authorized purposes. The Governor’s Highway Safety Program (GHSP), a section of the Department of Motor Vehicles, performs subrecipient monitoring activities through review and approval of reimbursement request forms, site visits, and review of annual audited financial statements. For site visits and financial statement review, GHSP monitors a sample of subrecipients. This sample includes those entities required to have a single audit performed in accordance with OMB Circular No. A-133 which include entities expending federal funds of \$500,000 or more in a year.

**Condition:** Our testing of GHSP’s financial monitoring activities for FY 2008 identified the following deficiencies:

- GHSP failed to complete site visits for five of the seven subrecipients required to have single audits. No reports for the two site visits completed were available for review.
- GHSP failed to review audited financial statements for four of four entities who were required to submit and had provided audited financial statements as of the date of our review.

**Questioned Costs:** Unknown

**Context:** Total affected subawards for the year ended June 30, 2008 was approximately \$2.2 million.

**Cause:** The Department failed to allocate sufficient manpower to perform the required monitoring.

**Effect:** Department may be unaware of significant subawardee audit findings.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-42 SUBRECIPIENT MONITORING  
(Prior Year Finding 2007-44) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	West Virginia Department of Transportation Division of Highways	
	U.S. Department of Transportation	
	U.S. Appalachian Regional Commission	
	Highway Planning and Construction Cluster	20.205
	State & Community Highway Safety	20.600
	Alcohol Traffic Safety and Drunk Driving Prevention	
	Incentive Grants	20.601
	Safety Incentive Grants for Use of Seatbelts	20.604

**Recommendation:** We recommend that the Department follow its established policies and procedures for monitoring the financial activities and condition of subrecipients. This will help ensure that federal funds are used only for approved activities.

**Views of Responsible Officials and Planned Corrective Actions:** We are taking steps to ensure compliance with the established policies and procedures for monitoring the financial activities and condition of subrecipients.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-43 NONCOMPLIANCE WITH AUTHORIZED FUNDING TECHNIQUES  
(Prior Year Finding 2007-43)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Transportation	
	U.S. Appalachian Regional Commission	
	Highway Planning and Construction Cluster	
	Highway Planning and Construction	20.205
	Appalachian Development Highway System	23.003

**Criteria:** According to Section 6.2.1 of the Treasury State Agreement (TSA), the composite clearance funding technique requires that the State request federal funds such that they are deposited on the dollar-weighted average number of days required for funds to be debited from the State's account for a series of disbursements as determined by the Highway Planning and Construction Cluster programs' clearance pattern.

**Condition:** From discussions with Department staff, it was determined that the Department has not properly implemented the composite clearance funding technique for payroll costs for programs 20.205, Highway Planning and Construction, and 23.003, Appalachian Development Highway System. According to Department staff, personnel costs that are chargeable to the federal programs are entered into Department's billing system as the time is worked. The Department's system then accumulates these costs, along with other direct costs, to determine the amount of federal funds to be drawn. The funds are drawn such that they are deposited ten days from the request date. Since all personnel at the Department are paid in arrears, this results in the federal funds being deposited in the State's accounts up to 24 days in advance of the payroll disbursements clearing the State's accounts.

**Questioned Costs:** Unknown

**Context:** Total federal expenditures for these programs was \$395,172,414.

**Cause:** It appears that when the West Virginia State Board of Investments (the State agency previously responsible for the Cash Management Improvement Act (CMIA)) was working with the Department to implement the composite clearance funding technique, there was no differentiation made between how funds were to be drawn for payroll costs and how funds were to be drawn for program costs. Additionally, when the CMIA was implemented, all State employees were paid current. Because of this, at the time the funding technique was first implemented, the method for drawing funds for payroll costs may have substantially complied with requirements for the composite clearance funding technique.

**Effect:** The funding method employed by the Department for payroll costs does not comply with the authorized funding technique as outlined in Section 6.2.1 of the TSA. This may result in each program having generated a State interest liability on payroll costs for fiscal year 2008 and 2007.

**Recommendation:** The Department staff should continue to work with the Treasurer's Office to resolve this issue.

**Views of Responsible Officials and Planned Corrective Actions:** The State Treasurer's Office and the Division of Highways financial staff have met about this issue several times in the past few months. Financial Management Services approved an interest neutral funding technique change for the payroll transactions on August 15, 2008, for fiscal years 2008 and 2009. The Division will be in compliance with the CMIA language in fiscal year 2009.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–44 STUDENT STATUS CHANGES**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Student Financial Assistance Programs Cluster	84.007/84.032/ 84.033/84.038/ 84.063/84.268/ 83.375/83.376/ 93.342/93.364/ 93.925

**Criteria:** In accordance with 34 CFR 682.610, “A school shall – (1) Upon receipt of a student status confirmation report form from the Secretary or a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and (2) Unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days - (i) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled on at least a half-time basis; (ii) If it discovers that the Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (iii) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (iv) If it discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address.”

**Condition:** During our testing of student loan files for Bluefield State College and New River Community and Technical College, we noted the following:

- Five students in our sample who withdrew or graduated did not have their status change reported to the National Student Clearing House in a timely manner.

**Questioned Costs:** N/A

**Context:** Approximately 420 students had status changes during the year ended June 30, 2008.

Total federal expenditures for Bluefield State College were \$9,997,078 for the year ended June 30, 2008. Total federal expenditures for New River Community and Technical College were \$8,278,426 for the year ended June 30, 2008.

**Cause:** Management failed to appropriately document the status changes of students’ status changes to demonstrate compliance with the federal regulations.

**Effect:** A student’s enrollment status determines deferment eligibility, grace periods, and repayment schedules, as well as the government’s payment of interest subsidies. Enrollment reporting is critical for the effective administration of Title IV loans.

**Recommendation:** The institution should implement policies and procedures to ensure that the proper documentation is to be maintained in the student’s file and that student conversion to repayment is completed in a timely manner. Furthermore, the institution should consider using “RUAMAIL” screen in the Banner information system to document the date that the exit interview package is mailed.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-44 STUDENT STATUS CHANGES  
(continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Student Financial Assistance Programs Cluster	84.007/84.032/ 84.033/84.038/ 84.063/84.268/ 83.375/83.376/ 93.342/93.364/ 93.925

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

The Registrar's Office will work closely with the Computer Center to ensure the enrollment information is submitted to the National Student Clearing House according to the agreed upon schedule.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–45 SPECIAL TESTS AND PROVISIONS – LOAN REPAYMENTS AND STUDENT DEFERMENTS  
(Prior Year Finding 2007–45)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Student Financial Assistance Programs Cluster	84.007/84.032/ 84.033/84.038/ 84.063/84.268/ 83.375/83.376/ 93.342/93.364/ 93.925

**Criteria:** In accordance with 34 CFR 682.414, “The guaranty agency shall maintain current, complete, and accurate records of each loan that it holds, including, but not limited to, the records described in paragraph (a)(1)(ii) of this section. The records must be maintained in a system that allows ready identification of each loan’s current status, updated at least once every 10 business days. Any reference to a guaranty agency under this section includes a third-party service that administers any aspect of the FFEL programs under a contract with the guaranty agency, if applicable.”

Furthermore, the Federal Student Aid Handbook, Volume 6, Chapter 5, states “The school must conduct exit counseling with borrowers either in person, by audiovisual presentation, or by interactive electronic means. (If you conduct exit counseling through interactive electronic means, you must take reasonable steps to ensure that each student borrower receives the counseling materials and participates in and completes the exit counseling.) Schools must conduct this counseling shortly before the student graduates or drops below half-time enrollment (if known in advance). If individual interviews are not possible, group interviews are acceptable.

If the borrower withdraws from school without the school’s prior knowledge or fails to complete an exit counseling session, the school must provide exit counseling through either interactive electronic means or by mailing counseling material to the borrower at the borrower’s last known address within 30 days after learning that the borrower has withdrawn from school or failed to complete exit counseling.

Finally, schools must document all exit interviews.”

**Condition:** During our testing of student loan files for Bluefield State College we noted the following:

- For 11 students in our sample who left prior to an exit interview being conducted, we noted that management had prepared the interview package; however, evidence was not maintained in the file to indicate when or if it was mailed.
- For one student in our sample, the student file lacked the documentation verifying an entrance interview was conducted.

**Questioned Costs:** N/A

**Context:** Total federal expenditures for Bluefield State College were \$9,997,078 for the year ended June 30, 2008.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–45 SPECIAL TESTS AND PROVISIONS – LOAN REPAYMENTS AND STUDENT DEFERMENTS  
(Prior Year Finding 2007–45) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Student Financial Assistance Programs Cluster	84.007/84.032/ 84.033/84.038/ 84.063/84.268/ 83.375/83.376/ 93.342/93.364/ 93.925

**Cause:** Management indicated that the student withdrawals were initially not reported to the appropriate person in the institution, which caused delays in processing. Furthermore, management failed to appropriately document and date that the exit interview package was mailed to demonstrate compliance with the federal regulations.

**Effect:** The lack of documentation for the student’s exit interview is a noncompliance issue with CFR Section 682.414.

**Recommendation:** The institution should implement policies and procedures to ensure that the proper documentation is to be maintained in the student’s file and that student conversion to repayment is completed in a timely manner.

**Views of Responsible Officials and Planned Corrective Actions:** The Financial Aid Office has made two changes related to exit and entrance Direct Loan interviews. First, we reprinted the exit interview form to include the date it was processed. Secondly, we changed the filing system for entrance interviews so they are located in a central place.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–46 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Student Financial Assistance Programs Cluster	84.007/84.032/ 84.033/84.038/ 84.063/84.268/ 83.375/83.376/ 93.342/93.364/ 93.925

**Criteria:** ED Form 646-1, *Fiscal Operations Report and Application to Participate (FISAP) (OMB No. 1845-0030)* - This electronic report is submitted annually to receive funds for the campus-based programs. The College uses the *Fiscal Operations Report* portion to report its expenditures in the previous award year and the *Application to Participate* portion to apply for the following year. FISAPs are required to be submitted by October 1 following the end of the award year (which is always June 30). For example, by October 1, 2008, the institution should submit its FISAP that includes the *Fiscal Operations Report* for the award year ended June 30, 2008, and the *Application to Participate* for the 2009-2010 award year (FPL, FWS, FSEOG 34 CFR section 673.3; *Instruction Booklet for Fiscal Operations Report and Application to Participate*).

As noted on page V of the instructions for the Fiscal Operations Report for 2007-2008 and the Application to Participate for 2009-2010, all corrections to FISAP data and correction of edit errors must be submitted to the U.S. Department of Education (the Department) by Monday, December 15, 2008. If there is a need to make a correction after December 15, 2008, the College must access the eCB website and make the necessary correction. This data will be saved in a Working Copy of the FISAP. The College then must justify the need to make the correction on the Additional Information page in the system. However the College will not be able to submit the correction at this stage in the process. The request must be reviewed by the Department, and the College will be notified if the correction is allowed.

**Condition:** The amounts reported for Tuition and Fees on the June 30, 2008 FISAP for Bluefield State College and New River Community and Technical College (the Colleges) required revision and did not reconcile to supporting documentation. As a result of our audit procedures, the FISAP had to be revised to correct the tuition and fee amounts for both Colleges on March 4, 2009. The final awards for campus-based programs are posted on April 1, 2009.

**Questioned Costs:** N/A

**Context:** The Bluefield State College FISAP required a revision of the Tuition and Fees from the previously recorded amount of \$7,200,000 to \$7,273,234. The New River Community and Technical College FISAP required a revision of the Tuition and Fees from the previously recorded amount of \$3,973,144 to \$5,045,512.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–46 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Student Financial Assistance Programs Cluster	84.007/84.032/ 84.033/84.038/ 84.063/84.268/ 83.375/83.376/ 93.342/93.364/ 93.925

**Cause:** Management provided incorrect Tuition and Fees amounts on the originally issued FISAPs.

**Effect:** The U.S. Department of Education uses the information in the Application to Participate and in the Fiscal Operations Report to determine the amount of funds the College will receive for each campus-based program. The College must submit accurate data. If not, the College might not receive all the funds to which the College is entitled or the College might be required to return funds that the College was not entitled to receive. The College must retain accurate and verifiable records for program review and audit purposes. The corrections gave the Department less than a month to adjust the Colleges awards for the corrected information.

**Recommendation:** We recommend that the Colleges implement policies and procedures to ensure that the proper documentation is maintained for the Fiscal Operations Report and Application to Participate and that accurate information is submitted to the U.S. Department of Education.

**Views of Responsible Officials and Planned Corrective Actions:** Beginning in May 2008 through August 2008, the Colleges had processing issues with the system utilized, Banner, and also ongoing networking issues. Once resolved in July, due to the time element, priority was given to the student processes first, and then financial reporting and processing. It took awhile to get all of the data processed and balanced. In preparation of the FISAP, this is the first time tuition and fee data has not been available. Going forward, the Colleges do not anticipate any additional issues related to the FISAP.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-47 INTERNAL CONTROL – BANK RECONCILIATIONS AND PROGRAM INCOME**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Student Financial Assistance Programs Cluster	84.007/84.032/ 84.033/84.038/ 84.063/84.268/ 83.375/83.376/ 93.342/93.364/ 93.925

**Criteria:** Reconciliations at Fairmont State University are completed by staff and reviewed by management as part of their internal control process relating to the program income compliance requirement for the Federal Perkins Loan Program. Reconciliations are to be prepared for each bank account and reviewed by a member of management as documented by reviewer sign-off.

**Condition:** During our testing of Direct Loan School Account Statement (DLSAS) reconciliations for Fairmont State University, we noted the following:

- For the two months selected for testing, the reconciliations could not be produced. However the reconciliation reports for two other months, March 2008 and June 2008, were completed and provided for our review.

**Questioned Costs:** N/A

**Context:** We tested a total of 2 bank reconciliations of the 12 prepared for the Perkins Loan bank account from July 1, 2007 through June 30, 2008.

**Cause:** Supporting documentation has been reviewed that comprises the components of the reconciliations; however, evidence is not maintained evidencing the detail review of the reconciliation. The responsible person will review the bank statements and reconciliations sporadically, just not on a monthly basis and without any indication of said review noted on the face of the documents

**Effect:** While the monthly bank statements are reconciled and agreed to Fairmont State University’s ledger system, without the sign-off as evidence of the review, the timeliness and extent of the review cannot be determined.

**Recommendation:** We recommend that Fairmont State University ensure that a responsible person reviews the completed bank reconciliations and related bank statements on a monthly basis and document the review with a sign-off.

**Views of Responsible Officials and Planned Corrective Actions:** Management uses the Perkins Loan Fund monthly bank statements to reconcile Perkins Loan Fund bank activity to Educational Computer Systems, Inc. (ECSI). Therefore, while there was no sign-off documented on the bank statements, they are reviewed for accuracy during the monthly ECSI reconciliation process. It is management’s intent to comply with internal control processes and a supervisory level review and sign-off will be documented on both the completed bank reconciliations and related bank statements in the future.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–48 SPECIAL TESTS AND PROVISIONS – BORROWER DATA TRANSMISSION AND RECONCILIATION**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Student Financial Assistance Programs Cluster	84.007/84.032/ 84.033/84.038/ 84.063/84.268/ 83.375/83.376/ 93.342/93.364/ 93.925

**Criteria:** Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301, and 303).

**Condition:** During our testing of Direct Loan School Account Statement (DLSAS) reconciliations for Fairmont State University, we noted the following:

- For the two months selected for testing, the reconciliations could not be produced..

**Questioned Costs:** N/A

**Context:** Total Direct Loan expenditures were \$24,080,375 for the year ended June 30, 2008.

**Cause:** Written procedures detailing the process to reconcile loans from COD to BANNER exist, as provided in narrative form during the audit. However, management represented that the reports which were created each month for comparison purposes were saved electronically to a location on the server that was replaced each succeeding month.

**Effect:** As a result of the aforementioned issues noted with the Borrower Data Transmission and Reconciliation procedure, we could not determine if all of the monthly required reconciliations necessary for proper loan disbursement reporting were completed. The absence of the reconciliations could result in the institutions' financial records for Direct Loan expenditures to be improperly stated.

**Recommendation:** Fairmont State University should ensure that monthly reconciliations are performed and saved in electronic format, including documentation of supervisor review and approval, to a location on the server and labeled with the respective month's information for subsequent retrieval upon request. Proper records maintenance is necessary to adhere to program compliance requirements relative to Student Financial Assistance.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-48 SPECIAL TESTS AND PROVISIONS – BORROWER DATA TRANSMISSION AND  
RECONCILIATION  
(continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Student Financial Assistance Programs Cluster	84.007/84.032/ 84.033/84.038/ 84.063/84.268/ 83.375/83.376/ 93.342/93.364/ 93.925

**Views of Responsible Officials and Planned Corrective Actions:** The supervisor for the reconciliation of Direct Loans from COD to BANNER will ensure that the monthly reports are saved electronically for subsequent retrieval upon request. It is certainly management's intent to adhere to program compliance requirements relative to Student Financial Assistance and accordingly will comply with this recommendation.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–49 SUBRECIPIENT CASH MANAGEMENT  
(Prior Year Finding 2007–48)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Education	
	Title I Grants to Local Educational Agencies	84.010
	Grant Award S010A060048A	
	Grant Award S010A070048A	
	Improving Teacher Quality State Grants	84.367
	Grant Award S367A060046A	
	Grant Award S367A070046A	
	Special Education Cluster	84.027/84.173
	Grant Award H027A060075A	
	Grant Award H027A070075	
	Twenty-First Century Community Learning Centers	84.287
	Grant Award S287C060049	
	Grant Award S287C070049	

**Criteria:** OMB Circular A–102, Section 2(a) requires grantor agency to “establish methods and procedures for transferring funds to minimize the time elapsing between the transfer to recipients of grants and cooperative agreements and the recipient’s need for the funds.” Furthermore, OMB Circular A–133 requires interest earned by subrecipients on federal cash draws to be remitted to the appropriate agency in a timely manner.

**Condition:** For the period of July 1, 2007 through March 31, 2008, the West Virginia Department of Education (WVDOE) had developed some procedures for monitoring subrecipient cash management; however, the procedures relied on the subrecipients to monitor cash management instead of the WVDOE. Furthermore during this time the WVDOE did not utilize the West Virginia Education Information System (WVEIS) to monitor subrecipient cash management. Furthermore, interest earned was not tracked and remitted to the appropriate federal program.

**Questioned Costs:** Unknown

**Context:** Total federal expenditures for the subrecipients of the Title I Grants to Local Educational Agencies program were \$91,172,834 for the year ended June 30, 2008. Total federal expenditures for the subrecipients of the Special Education Cluster program were \$64,625,490 for the year ended June 30, 2008. Total federal expenditures for the subrecipients of the Improving Teacher Quality State Grants program were \$23,565,847 for the year ended June 30, 2008. Total federal expenditures for the subrecipients of the Twenty-First Century Community Learning Centers Century program were \$7,492,434 for the year ended June 30, 2008.

**Cause:** The procedures in place through March of 2008 relied on the subrecipient to minimize federal cash on hand, and there is no monitoring by the WVDOE of the process.

**Effect:** Subrecipients may have excess federal cash on hand and are not remitting interest earned on the excess federal cash to the WVDOE; therefore, the WVDOE is in noncompliance with the federal rules and regulations regarding cash management.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-49 SUBRECIPIENT CASH MANAGEMENT  
(Prior Year Finding 2007-48) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Education	
	Title I Grants to Local Educational Agencies	84.010
	Grant Award S010A060048A	
	Grant Award S010A070048A	
	Improving Teacher Quality State Grants	84.367
	Grant Award S367A060046A	
	Grant Award S367A070046A	
	Special Education Cluster	84.027/84.173
	Grant Award H027A060075A	
	Grant Award H027A070075	
	Twenty-First Century Community Learning Centers	84.287
	Grant Award S287C060049	
	Grant Award S287C070049	

**Recommendation:** At the end of the fiscal year, the WVDOE implemented new procedures for tracking subrecipient cash managements. WVDOE should continue to review these new policies and procedures to ensure that adequate procedures are in place to monitor federal cash on hand with subrecipients and ensure that interest earned on excess federal cash on hand is remitted back to the WVDOE in a timely manner. Furthermore, management should ensure that interest earned is appropriately calculated and remitted to the federal grant program.

**Views of Responsible Officials and Planned Corrective Actions:** The Executive Director of Internal Operations and the Executive Director of Technology have developed a module, using WVEIS, which enables the Office of Internal Operations to have access to amounts of cash remaining from various grant awards to subrecipients. The module was tested during the past year and was fully implemented in April 2008. Subrecipients with excess balances will be denied access to additional draws of cash. Management will ensure that subrecipients calculate and remit interest to the federal government, if applicable, through continued training and instruction.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–50 SUBRECIPIENT MONITORING  
(Prior Year Finding 2007–49)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Education	
	Twenty-First Century Community Learning Centers	84.287
	Grant Awards S287C080049	
	Grant Awards S287C070049	
	Grant Awards S287C060049	
	Grant Awards S287C050049	

**Criteria:** All subrecipients subject to OMB Circular A–133 with fiscal years ending after January 1, 2004, and spending more than \$500,000 in federal awards must have required audits completed in accordance with OMB Circular A–133 and provide copies of their audit reports to the primary recipient. The required audits must be completed and submitted within nine months of the end of the subrecipient’s audit period and a management decision on audit findings must be issued within six months after receipt of the subrecipient’s audit report.

**Condition:** We reviewed the subrecipient monitoring of audit reports for the West Virginia Department of Education (WVDOE) and noted the following issues related to the nonprofit subrecipients required to file an OMB Circular A–133 audit report:

- Two of the five subrecipient audit reports that were tested were received by the WVDOE after the required submission date.

**Questioned Costs:** Unknown

**Context:** Total federal expenditures disbursed to the two subrecipients was unable to be provided by WVDOE personnel. The total federal expenditures to subrecipients for the Twenty-First Century Community Learning Centers (Twenty-First) were \$7,492,434 for the year ended June 30, 2008. Total federal expenditures for the Twenty-First grant were \$7,801,416 for the year ended June 30, 2008.

**Cause:** The subrecipients have not engaged Independent Certified Public Accountants in a timely manner to ensure that their audit is completed timely.

**Effect:** The WVDOE is unable to determine, in a timely manner, the existence of material noncompliance or internal control issues with subrecipients that may be identified through the monitoring process.

**Recommendation:** The WVDOE should implement policies and procedures to ensure that all subrecipients subject to OMB Circular A–133 requirements have the required audits completed and that all identified audit findings are resolved in a timely manner.

**Views of Responsible Officials and Planned Corrective Actions:** A tracking log is currently maintained listing audits that are required of subrecipients. In order to assure audits are received by the required submission date, a tickler file will be developed and follow-up will be initiated to request audits prior to the date they are due. A statement will be added to the follow-up correspondence to request documentation from the agency to support that an auditor has been selected and the audit has been scheduled in sufficient time for completion and submission of the final audit report by the due date. Subrecipients who fail to submit audit reports will have future funding withheld until the audit is received.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–51 MATCHING REQUIREMENTS  
(Prior Year Finding 2007–51)**

<b>Federal program information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Centers for Disease Control and Prevention Investigations and Technical Assistance Grant Award U90/CCU316998–08 Grant Award U90/CCU316998–07–4 Grant Award U58/CCU322798–05 Grant Award U58/DP322798–04 Grant Award U58/DP000768–01 Grant Award U55/CCU321950–05–4 Grant Award U50/CCU323657–04 Grant Award 5U5OC1323657–03	93.283

**Criteria:** OMB Common Rule 102 states that “except as provided by Federal statute, a cost sharing or matching requirement may not be met by costs borne by another Federal grant. Neither costs nor the values of third party in-kind contributions may count towards satisfying a cost sharing or matching requirements of a grant agreement if they have been or will be counted towards satisfying a cost sharing or matching requirement of another Federal grant agreement, a Federal procurement contract, or any other award of Federal funds.” In determining the value of in-kind contributions, OMB Common Rule 102 states that “records must show how the value placed on third party in-kind contributions was derived. Unpaid services provided to a grantee or subgrantee by individuals will be valued at rates consistent with those ordinarily paid for similar work in the grantee’s or subgrantee’s organization. When an employer other than a grantee, subgrantee, or cost-type contractor furnishes free of charge the services of an employee in the employee’s normal line of work, the services will be valued at the employee’s regular rate of pay exclusive of the employee’s fringe benefits and overhead costs. If a third party donated supplies, the contribution will be valued at the market value of the supplies at the time of donation. If a third party donates the use of equipment or space in a building but retains title, the contribution will be valued at the fair rental rate of the equipment or space.”

**Condition:** Three of the major Centers for Disease Control and Prevention (CDC) grants tested have cost-sharing requirements, which are in part met by third-party, in-kind contributions. CDC programs receive statements from third parties indicating the amount of in-kind contributions; however, sufficient documentation is not obtained to verify the funding source of these contributions. Further, we were unable to determine that the in-kind contributions were not used towards cost-matching requirements of another federal grant. In addition, supporting documentation regarding the valuation of the in-kind contributions was not provided.

**Questioned Costs:** Unknown

**Context:** Total disbursements for the CDC program for fiscal year ended June 30, 2008, were \$12,327,308. Total cost-sharing requirements for CDC programs tested for fiscal year ended June 30, 2008, was \$2,281,499 of which \$1,708,014 represented the amount of in-kind cost sharing.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–51 MATCHING REQUIREMENTS  
(Prior Year Finding 2007–51) (continued)**

<b>Federal program information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Centers for Disease Control and Prevention Investigations and Technical Assistance Grant Award U90/CCU316998–08 Grant Award U90/CCU316998–07–4 Grant Award U58/CCU322798–05 Grant Award U58/DP322798–04 Grant Award U58/DP000768–01 Grant Award U55/CCU321950–05–4 Grant Award U50/CCU323657–04 Grant Award 5U5OC1323657–03	93.283

**Cause:** The CDC program does not obtain supporting documentation from the providers who report in-kind contributions to ensure that the in-kind contributions are in accordance with federal regulations.

**Effect:** We were unable to determine if the source of matching funds complied with federal regulations and that the CDC program properly achieved the matching requirement.

**Recommendation:** CDC should develop policies and procedures to ensure that the providers maintain supporting documentation of all in-kind contributions to satisfy the requirements of OMB Circular A–102. Furthermore, the West Virginia Department of Health and Human Resources (DHHR) should obtain support from providers regarding the value placed on contributions. Furthermore, the CDC program should develop and implement testing of the provider in-kind contributions to ascertain that the match is in accordance with the appropriate federal regulations. This testing could be accomplished during the programmatic monitoring functions performed by CDC.

**Views of Responsible Officials and Planned Corrective Actions:** As a part of our policies and procedures, beginning in Fiscal Year 2009, DHHR’s Bureau for Public Health will require third parties to add a statement that certifies that in-kind contributions are not used towards cost-matching requirements of other federal grants. The Bureau still intends to test the match during programmatic monitoring.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–52 SUBRECIPIENT MONITORING  
(Prior Year Finding 2007–52)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283
	Grant Award U90/CCU316998-08	
	Grant Award U90/CCU316998-07-4	
	Grant Award U58/CCU322798-05	
	Grant Award U58/DP322798-04	
	Grant Award U58/DP000768-01	
	Grant Award U55/CCU321950-05-4	
	Grant Award U50/CCU323657-04	
	Grant Award 5U5OC1323657-03	

**Criteria:** OMB Circular No. A–133, Subpart D §400 requires a pass-through entity to “monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.” Pass-through entities are required to develop monitoring procedures including programmatic and financial monitoring to ensure subrecipients have used federal funds for authorized purposes.

**Condition:** While reviewing the subrecipient programmatic monitoring process for the Centers for Disease Control and Prevention – Investigations and Technical Assistance (CDC) program, we noted that the West Virginia Department of Health and Human Resources (DHHR) has developed some monitoring procedures for the monitoring of subrecipients; however, we identified some areas to improve the consistent application of these procedures across DHHR. The following summarizes these items:

- Standardized monitoring logs should be used for all aspects of the monitoring process.
- Minimum standard checklists should be utilized during on-site reviews and/or other monitoring activities.
- Policies should be established for communicating the results of the monitoring procedures via formal written documents that establish recommendations and corrective action plans and policies for requiring disciplinary action when appropriate.

**Questioned Costs:** Unknown

**Context:** Total amounts to subrecipients for the CDC program for fiscal year ended June 30, 2008, were \$5,226,771.

**Cause:** DHHR does have some formalized procedures for monitoring of subrecipients; however, the procedures have not been consistently implemented throughout DHHR.

**Effect:** The monitoring procedures utilized by DHHR may be inadequate to ensure that subrecipients are monitored in accordance with federal regulations. Furthermore, DHHR is unable to determine, in a timely manner, the existence of material noncompliance or internal control issues with subrecipients that may be identified through the monitoring process.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-52 SUBRECIPIENT MONITORING  
(Prior Year Finding 2007-52) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283
	Grant Award U90/CCU316998-08	
	Grant Award U90/CCU316998-07-4	
	Grant Award U58/CCU322798-05	
	Grant Award U58/DP322798-04	
	Grant Award U58/DP000768-01	
	Grant Award U55/CCU321950-05-4	
	Grant Award U50/CCU323657-04	
	Grant Award 5U5OC1323657-03	

**Recommendation:** DHHR should ensure consistent policies and procedures are followed through DHHR when performing programmatic and financial monitoring and ensure that all aspects of the monitoring are adequately documented.

**Views of Responsible Officials and Planned Corrective Actions:** The Bureau of Public Health began the process of centralizing all financial activity in Fiscal Year 2008 which will include a Compliance and Monitoring component. Beginning in Fiscal Year 2009, Compliance and Monitoring will continue evaluating the monitoring checklist that was put in place in Fiscal Year 2008 and will begin developing additional policies and procedures to ensure that subrecipients are sufficiently monitored.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–53 SUBRECIPIENT CASH MANAGEMENT**  
**(Prior Year Finding 2007–53)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Centers for Disease Control and Prevention – Investigations and Technical Assistance Grant Award U90/CCU316998–08 Grant Award U90/CCU316998–07–4 Grant Award U58/CCU322798–05 Grant Award U58/DP322798–04 Grant Award U58/DP000768–01 Grant Award U55/CCU321950–05–4 Grant Award U50/CCU323657–04 Grant Award 5U5OC1323657–03	93.283

**Criteria:** OMB Circular A–102, Section 2(a) requires grantor agency to “establish methods and procedures for transferring funds to minimize the time elapsing between the transfer to recipients of grants and cooperative agreements and the recipient’s need for the funds.” Furthermore, OMB Circular A–133 requires interest earned by subrecipients on federal cash draws to be remitted to the appropriate agency in a timely manner.

**Condition:** The West Virginia Department of Health and Human Resources (DHHR) maintains two methods of transferring funds to subrecipients: reimbursing actual expenditures and making advance payments which result in scheduled payments. The same procedures are in place to monitor subrecipient cash management when advance payments are made; however, the monitoring procedures are not consistently applied throughout DHHR.

**Questioned Costs:** Unknown

**Context:** Total disbursements for the Centers for Disease Control and Prevention (CDC) program for fiscal year ended June 30, 2008, were \$12,327,308. Total disbursements to subrecipients of the CDC program for fiscal year ended June 30, 2008, were \$5,226,771. DHHR estimates approximately half of the subrecipient disbursements are on advance payments instead of on the reimbursement basis.

**Cause:** DHHR monitoring procedures are not consistently followed for certain CDC subgrants which are funded in accordance with advance payments to monitor subrecipient cash management.

**Effect:** Subrecipients may have excess federal cash on hand and are not remitting interest earned on the excess federal cash to the DHHR; therefore, the DHHR is not receiving adequate assurance that its subrecipients are complying with the cost management standards.

**Recommendation:** DHHR should review the policies and procedures to ensure that the monitoring procedures are consistently applied throughout DHHR.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-53 SUBRECIPIENT CASH MANAGEMENT  
(Prior Year Finding 2007-53) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	93.283
	Centers for Disease Control and Prevention –	
	Investigations and Technical Assistance	
	Grant Award U90/CCU316998-08	
	Grant Award U90/CCU316998-07-4	
	Grant Award U58/CCU322798-05	
	Grant Award U58/DP322798-04	
	Grant Award U58/DP000768-01	
	Grant Award U55/CCU321950-05-4	
	Grant Award U50/CCU323657-04	
	Grant Award 5U5OC1323657-03	

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

DHHR has some procedures in place to monitor subrecipient cash management. Subrecipients are required to submit quarterly and in some cases monthly, expenditure reports. These expenditure reports are to be reviewed before invoices are approved and invoiced amounts may be changed if expenditures are not meeting projections to prevent the subrecipient from accumulating cash. Additionally, Policy 3801 includes a checklist questionnaire that addresses the monitoring of cash management which cites the federal regulations. Also, grantees are informed of their responsibilities regarding interest they could potentially earn. Although the DHHR feels advance payments are an acceptable method of payments as it is consistent with federal grantor methods, we understand the potential risk involved. Policies and procedures are continuously reviewed to look for better ways of addressing monitoring subrecipients' cash on hand to ensure the potential for grantees to earn interest is minimized. We are working to develop a standardized letter or memorandum for mailing to all subrecipients, as an additional notice or supplement to the grant agreement, to reiterate the federal regulations concerning cash management and interest earned on advanced payments.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-54 ELIGIBILITY**

**(Prior Year Finding 2007-55)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Temporary Assistance for Needy Families (TANF)	93.558
	Grant Award 2008 – G996115	

**Criteria:** Any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any State program funded by federal Temporary Assistance for Needy Families (TANF) funds for 60 months (whether or not consecutive) is ineligible for additional federally funded TANF assistance. However, the State may extend assistance to a family on the basis of hardship, as defined by the State, or if a family member has been battered or subjected to extreme cruelty. In determining the number of months for which the head of household or the spouse of the head of household has received assistance, the State must not count any month during which the adult received the assistance while living in Indian country or in an Alaskan Native Village and the most reliable data available with respect to that month (or a period including that month) indicate at least 50 percent of the adults living in Indian country or in the village were not employed (42 USC 608(a)(7); 45 CFR sections 264.1(a), (b), and (c)).

**Condition:** The West Virginia Department of Health and Human Resources (DHHR) does not have formal procedures in place to determine if TANF claimants have received benefits from other states, which should be applied against the federal 60-month eligibility limitation requirement.

**Questioned Costs:** Unknown

**Context:** The fiscal year ended June 30, 2002, was the first year in which the federal 60-month requirement became effective. Total federal expenditures for the TANF program were \$85,262,235 for the fiscal year ended June 30, 2008.

**Cause:** DHHR and the U.S. Department of Health and Human Services (USDHHS) have not developed a method for tracking claimants who may have received benefits from multiple states.

**Effect:** Ineligible or potentially ineligible claims may have been reimbursed using federal funds.

**Recommendation:** DHHR should continue to work with the USDHHS and the surrounding states to ensure that policies and controls are developed to ensure that claimants who have received benefits from multiple states are appropriately declined benefits after 60 months.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-54 ELIGIBILITY**

(Prior Year Finding 2007-55) (continued)

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Temporary Assistance for Needy Families (TANF)	93.558
	Grant Award 2008 – G996115	

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

DHHR’s policy, WV Income Maintenance Manual Chapter 15 Section 15.6 addresses how DHHR Case Management must handle positive statements from customers when they indicate that they were a resident of another state. The worker must contact the state(s) to determine whether the customer received TANF benefits (as well as other types of benefits). If the customer received TANF benefits, the information is entered on RAPIDS screen ANLM for tracking purposes and counts against the 60-month limit.

The only way the department can determine whether or not a customer received benefits in another state is by the customer divulging they were a resident of another state. If the customer does not divulge that information, the department would be unaware.

Although DHHR is now participating in the Public Assistance Reporting Information System (PARIS), and some instances would be found, it is not believed that this system will completely resolve the problem of determining 60-month eligibility. DHHR cannot resolve this issue until USDHHS develops a method for tracking TANF recipients’ payments.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–55 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS  
(Prior Year Finding 2007–54)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families Grant Award 75-8-1536	93.558
	Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0805WV5028	
	Low-Income Home Energy Assistance Grant Award G–070699	93.568
	State Children’s Health Insurance Program Grant Award 0605WV5021/0705WV5021	93.767
	Child Care Cluster	93.575/93.596
	Grant Awards 75–8–1515, 75–8–1550	
	Foster Care—Title IV–E Grant Award 75–8–1536	93.658
	Adoption Assistance Grant Awards 75–8–1536	93.659
	U.S. Department of Agriculture Food Stamps Cluster	10.551/10.561
	Grant Award 1WV400401/1WV420451	

**Criteria:** Each state department and agency that receives and disburses federal awards is required by OMB Circular A–102 to have a “grantee financial management system which shall provide accurate, current, and complete disclosure of the financial results of each grant program.”

Management of the West Virginia Department of Health and Human Resources (DHHR) is responsible for establishing and maintaining adequate controls over its information systems and the related processes. An integral part of an entity’s accounting function is the establishment of internal control, including assigning the responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets to different individuals, thus reducing the risk of irregularities or defalcations occurring and not being detected. Furthermore, management of the DHHR is responsible for establishing and maintaining adequate information system internal controls for the determination of eligibility and the processing of allowable payments.

Controls over exception reporting should be suitably designed and operating effectively to ensure that significant State applications do not contain inaccurate data. In order to execute this control, there should be logic within the system to identify and report exceptions that occurred during data input. Once exceptions have been identified by this report, appropriate follow-up steps need to be implemented and documented to show that the issue identified was resolved.

45 CFR 95.621 indicates that “State must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems.” 45 CFR 95.621 further indicates that “State agencies shall review the ADP system security of installations involved in the administration of the U.S. Department of Health and Human Services (USDHHS) programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices.” Finally, the regulations indicate that “the State agency shall maintain reports of their biennial ADP system security reviews, together with pertinent supporting documentation, for USDHHS on-site review.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–55 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS  
(Prior Year Finding 2007–54) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families Grant Award 75-8-1536	93.558
	Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0805WV5028	
	Low-Income Home Energy Assistance Grant Award G-070699	93.568
	State Children’s Health Insurance Program Grant Award 0605WV5021/0705WV5021	93.767
	Child Care Cluster	93.575/93.596
	Grant Awards 75–8–1515, 75–8–1550	
	Foster Care—Title IV–E Grant Award 75–8–1536	93.658
	Adoption Assistance	93.659
	Grant Awards 75–8–1536	
	U.S. Department of Agriculture Food Stamps Cluster	10.551/10.561
	Grant Award 1WV400401/1WV420451	

**Condition:** DHHR operates a wide variety of computer applications, many of which affect federal and State programs’ data. Our review of the information system controls noted that adequate segregation of duties do not exist for the Family and Children Tracking System (FACTS) information systems.

Based on the description of the security reviews which are performed on the RAPIDS system, it does not appear as though the Medicaid Program is meeting all of the requirements set forth in the compliance supplement as noted below:

- The State is required to perform periodic risk assessments on the system and also perform risk assessments whenever significant changes to the system occur. Such periodic risk assessments have not been performed.

On a biennial basis (every two years), management is supposed to review the security of the ADP system. At minimum, this review is supposed to include an evaluation of physical and data security operating procedures and personnel practices. The annual review currently performed by management only looks at the user access to the system to ensure that access is inactivated for users who no longer work for the agency or who no longer have need of access to the system. It does not include an evaluation of the physical and data security of users’ functional rights within the system.

- Management is supposed to maintain reports on the results of the biennial reviews for federal government on-site reviews. While backup documentation is maintained for annual inquiries of the local offices, a report is not generated at the end of the process to indicate the findings/results of the review performed.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–55 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS  
(Prior Year Finding 2007–54) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families Grant Award 75-8-1536	93.558
	Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0805WV5028	
	Low-Income Home Energy Assistance Grant Award G-070699	93.568
	State Children’s Health Insurance Program Grant Award 0605WV5021/0705WV5021	93.767
	Child Care Cluster	93.575/93.596
	Grant Awards 75–8–1515, 75–8–1550	
	Foster Care—Title IV–E Grant Award 75–8–1536	93.658
	Adoption Assistance	93.659
	Grant Awards 75–8–1536	
	U.S. Department of Agriculture Food Stamps Cluster	10.551/10.561
	Grant Award 1WV400401/1WV420451	

**IT Dependent Application Level and Other Business Process Controls**

For the FACTS application, edit exception reports are automatically generated on a weekly basis and sent to appropriate personnel. However, there is no documentation to show whether the issues on the reports had been investigated or resolved.

**Wage Match**

RAPIDS receives a quarterly report from the Unemployment Compensation (UC) of individuals earning wages during each quarter. RAPIDS runs a data exchange of the UC file with the RAPIDS file of claimants receiving support service benefits for the same period for any matches. A match is automatically sent back to the primary caseworker assigned to the case and the caseworker’s supervisor. The match will show up in a RAPIDS screen listing the claimant’s name, the date of the match, a “BPSW” code indicating that a data exchange of wages with UC took place, and a direction for follow-up action (either “NA,” no action required, when everything matches that is supposed to match or “WA,” worker action required, when differences are noted). A similar match of IRS wages occurs.

We understand it is the Bureau of Children and Families (BCF) policy for any exceptions to be reviewed and followed up on within ten days of receipt; however, there are no formal controls in place at this time to ensure that proper follow-up action is taking place.

**Social Security Number (SSN) Match**

When a new claimant applies for support service benefits, their SSN, name, and date of birth are verified with the Social Security Administration. If any of the information does not match with that on file with the Social Security Administration, an alert is created in RAPIDS. Although the alerts are supposed to be followed-up on by the caseworkers, there are no formal controls in place to ensure that follow-up action is completed in a timely manner.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–55 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS  
(Prior Year Finding 2007–54) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families Grant Award 75-8-1536	93.558
	Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0805WV5028 Low-Income Home Energy Assistance Grant Award G-070699	93.568
	State Children’s Health Insurance Program Grant Award 0605WV5021/0705WV5021	93.767
	Child Care Cluster Grant Awards 75–8–1515, 75–8–1550	93.575/93.596
	Foster Care—Title IV–E Grant Award 75–8–1536	93.658
	Adoption Assistance Grant Awards 75–8–1536	93.659
	U.S. Department of Agriculture Food Stamps Cluster Grant Award 1WV400401/1WV420451	10.551/10.561

**Supportive Service Payments (SSP)**

Claimant addresses may be changed by both caseworkers and supervisors. Management indicated that there is no approval required for change of address because of the significant volume of address changes. Currently anyone that has update level access can make address changes. A summary of benefits letter is mailed out to claimants each month which details all support service payments paid to the individual for the month. The letter is essentially a negative confirmation asking the claimant to respond if the information in the letter does not agree to their records. If a claimant responds to the letter the resolution is supposed to be documented in the claimants file. However, there is not a formal process in place at this time to ensure that follow-up is completed in a timely manner.

**Multiple Payments to Same Address**

A monthly report is run to match cases with the same address. These exceptions are supposed to be followed up on a case-by-case basis; however, there currently is no formal process in place to ensure that this occurs. Further, documentation is typically not maintained supporting the resolution.

To access the effectiveness of the aforementioned IT dependent controls, supervisors have the ability to query the cases that still need to be worked by their caseworkers; however, there is not a formalized standard process for doing so. Benefits continue to be paid even when the case is flagged for follow-up action.

**Questioned Costs:** N/A

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–55 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS  
(Prior Year Finding 2007–54) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Temporary Assistance for Needy Families	93.558
	Grant Award 75-8-1536	
	Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0805WV5028	
	Low-Income Home Energy Assistance	93.568
	Grant Award G-070699	
	State Children’s Health Insurance Program	93.767
	Grant Award 0605WV5021/0705WV5021	
	Child Care Cluster	93.575/93.596
	Grant Awards 75–8–1515, 75–8–1550	
	Foster Care—Title IV–E	93.658
	Grant Award 75–8–1536	
	Adoption Assistance	93.659
	Grant Awards 75–8–1536	
	U.S. Department of Agriculture	
	Food Stamps Cluster	10.551/10.561
	Grant Award 1WV400401/1WV420451	

**Context:** Total federal expenditures for these programs can be located in the Schedule of Expenditures of Federal Awards. The RAPIDS computer system is utilized to process federal awards for the Medicaid Cluster, Temporary Assistance for Needy Families (TANF), Low-Income Home Energy Assistance Program (LIHEAP), State Children’s Health Insurance Program (SCHIP), and the Food Stamps Cluster. The FACTS computer system is utilized to process federal awards for the Child Care Cluster, Foster Care—Title IV–E, and the Adoption Assistance programs.

While no edit exception report is being generated or reviewed, each application had various other edit checks in place to prevent certain inaccurate user inputs. The risk is that some exceptions are still occurring and not being corrected.

DHHR performs an annual security review of user access to the RAPIDS system; however they do not perform an evaluation of the physical and data security of the RAPIDS system. No security reviews were performed for the FACTS system.

**Cause:** Policies and procedures have not been adequately updated for changes in processing of eligibility and allowable costs have not been rechallenge for adequacy in a timely manner. Furthermore, management indicated a lack of personnel resources contributes to the proper segregation of duties issue and failure to complete all the required compliance supplement security review procedures.

Unit Supervisors can override the controls imbedded in the FACTS system in order to continue benefits for recipient.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–55 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS  
(Prior Year Finding 2007–54) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families Grant Award 75-8-1536	93.558
	Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0805WV5028 Low-Income Home Energy Assistance Grant Award G-070699	93.568
	State Children’s Health Insurance Program Grant Award 0605WV5021/0705WV5021	93.767
	Child Care Cluster Grant Awards 75–8–1515, 75–8–1550	93.575/93.596
	Foster Care—Title IV–E Grant Award 75–8–1536	93.658
	Adoption Assistance Grant Awards 75–8–1536	93.659
	U.S. Department of Agriculture Food Stamps Cluster Grant Award 1WV400401/1WV420451	10.551/10.561

There are no procedures in place to ensure that issues identified on the FACTS edit exception report are investigated or resolved in a timely manner.

No formalized standard process controls are in place to ensure the effectiveness of the wage match, SSN match, SSP, and address change IT dependent controls.

Management of the RAPIDS program believes that the West Virginia Department of Administration Information Services and Communication (IS&C) should perform the risk assessments and security reviews of RAPIDS since it is maintained on the State mainframe. However, IS&C did not perform the risk assessments and security reviews as believed by management. Further, management has not developed or implemented procedures to perform risk assessments and security reviews of the ADP system, FACTS, or RAPIDS.

**Effect:** The deficiency in error reporting could result in inaccurate data being stored within the RAPIDS and FACTS applications. RAPIDS effects Medicaid, Food Stamps, TANF, and LIHEAP. The FACTS system affects Child Care, Adoption Assistance, and Foster Care programs.

Benefits continue to be paid while caseworkers’ follow up on cases flagged by the application level and other IT dependent controls.

The RAPIDS and FACTS systems may contain unidentified weaknesses in the areas of physical and data security. Further, major risks to the system may remain unidentified due to the lack of risk assessments.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–55 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS  
(Prior Year Finding 2007–54) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families Grant Award 75-8-1536	93.558
	Medicaid Cluster Grant Award 05-0805WV5028	93.775/93.777/ 93.778
	Low-Income Home Energy Assistance Grant Award G–070699	93.568
	State Children’s Health Insurance Program Grant Award 0605WV5021/0705WV5021	93.767
	Child Care Cluster Grant Awards 75–8–1515, 75–8–1550	93.575/93.596
	Foster Care—Title IV–E Grant Award 75–8–1536	93.658
	Adoption Assistance Grant Awards 75–8–1536	93.659
	U.S. Department of Agriculture Food Stamps Cluster Grant Award 1WV400401/1WV420451	10.551/10.561

**Recommendation:** DHHR should develop policies and procedures related to the performance of periodic risk assessments and to the performance of biennial security reviews on the RAPIDS and FACTS systems. Specifically, the policies and procedures should include the frequency, timing, and scope of the reviews and assessments to be performed to comply with the requirements outlined in the OMB A–133 Compliance Supplement for the Medicaid program. Further, the policies and procedures should address reporting and maintaining documentation of the results of the reviews and assessments performed. Such reviews and assessments should ensure controls are adequate and operating as designed. The risk assessment should include a vulnerability assessment review to determine potential lapses of security in relation to the overall network.

We recommend that procedures be implemented to ensure that edit exception reports are generated and sent to appropriate personnel on a regular basis (i.e., weekly) for review. Exceptions noted should be investigated and resolved in a timely manner and the necessary action steps and sign-offs should be documented with the report and retained as evidence.

Formalized business process policies and procedures should be developed to ensure the effectiveness of the application level and other IT dependent controls. Follow-up should be completed on cases flagged for follow-up in a timely manner. Additionally, documentation should be maintained of the follow-up action taken and resolution (i.e., notation in system notes and/or hard copy as applicable). For example, given the volume of address changes, periodic random sampling could be used to determine the validity of requested address changes.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–55 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS  
(Prior Year Finding 2007–54) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families Grant Award 75-8-1536	93.558
	Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0805WV5028	
	Low-Income Home Energy Assistance Grant Award G-070699	93.568
	State Children’s Health Insurance Program Grant Award 0605WV5021/0705WV5021	93.767
	Child Care Cluster	93.575/93.596
	Grant Awards 75–8–1515, 75–8–1550	
	Foster Care—Title IV–E Grant Award 75–8–1536	93.658
	Adoption Assistance Grant Awards 75–8–1536	93.659
	U.S. Department of Agriculture Food Stamps Cluster	10.551/10.561
	Grant Award 1WV400401/1WV420451	

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

DHHR continues to look at department-wide security efforts as a whole. Some changes have been made to processes regarding each of the systems individually to deal with security efforts and it is still DHHR’s intent for an outside entity to perform an external review of DHHR’s internal systems. The contract for this work is going to be awarded in the next few days.

The Department is also in the process of developing policies and procedures to comply with the A-133 Compliance Supplement related to the performance of periodic risk assessments and biennial security reviews of the RAPIDS and FACTS systems.

Management will review and enhance the policies and procedures to ensure that appropriate measures are being taken to follow up on the application level and other IT dependent controls. Additionally, documentation will be made of the follow-up procedures as performed.

Additionally, to elaborate on specific issues see below:

Regarding FACTS segregation of duties:

The FACTS system’s security assignments allow each system user access only to the functions needed to complete their job duties. While most major security assignments can only be done by FACTS Administrative Staff, there is some limited assignment capability available to supervisors, coordinators, and district managers. The security assignments that have been given to individuals are either a result of their supervisors directly giving them this security or a formal request based upon job responsibility to the FACTS system administrators.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–55 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS  
(Prior Year Finding 2007–54) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families Grant Award 75-8-1536	93.558
	Medicaid Cluster Grant Award 05-0805WV5028	93.775/93.777/ 93.778
	Low-Income Home Energy Assistance Grant Award G-070699	93.568
	State Children’s Health Insurance Program Grant Award 0605WV5021/0705WV5021	93.767
	Child Care Cluster Grant Awards 75–8–1515, 75–8–1550	93.575/93.596
	Foster Care—Title IV–E Grant Award 75–8–1536	93.658
	Adoption Assistance Grant Awards 75–8–1536	93.659
	U.S. Department of Agriculture Food Stamps Cluster Grant Award 1WV400401/1WV420451	10.551/10.561

The system has the capability to isolate responsibilities at the individual level by controlling what individual security assignments are granted to a worker at any given time. However, the manner in which some staff are being used has either put them in a position where they have multiple security assignments that break down this segregation or the supervisors/managers have granted and left open a security assignment that then creates this condition. It is not feasible to remove this ability from supervisors and managers since it is a legitimate part of their job function.

Regarding security reviews of FACTS:

In July 2006, FACTS generated two staff reports that were and continue to be distributed to the Bureau of Children and Families (BCF) management on a monthly basis. These reports list all currently active staff accessing the FACTS application: Report GEN-0350 (All FACTS Workers) and Report GEN-0360 (All Active Workers with No Security). FACTS system management has requested BCF management to review the reports monthly and complete the appropriate forms to delete or change access for staff as needed.

In July 2007, FACTS implemented the first periodic review of staff access. Reports were generated: Report GEN-0355 (All FACTS Workers) and Report GEN-0365 (All Active Workers with No Security) that identifies each staff person. FACTS system management requested BCF management to review the reports and complete a FACTS Access Verification Form to indicate the appropriate actions needed: access is correct, delete staff or change access for each staff, and sign off on the verification. The forms were returned to the FACTS Administrative Staff for an additional review.

In March 2008, the next review for staff access and security began. Reports were again generated: Report GEN-0355 (All FACTS Workers) and Report GEN-0365 (All Active Workers with No Security) that identifies each staff person and their assigned securities.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–55 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS  
(Prior Year Finding 2007–54) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families Grant Award 75-8-1536	93.558
	Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0805WV5028 Low-Income Home Energy Assistance Grant Award G-070699	93.568
	State Children’s Health Insurance Program Grant Award 0605WV5021/0705WV5021	93.767
	Child Care Cluster Grant Awards 75–8–1515, 75–8–1550	93.575/93.596
	Foster Care—Title IV–E Grant Award 75–8–1536	93.658
	Adoption Assistance Grant Awards 75–8–1536	93.659
	U.S. Department of Agriculture Food Stamps Cluster Grant Award 1WV400401/1WV420451	10.551/10.561

Instructions were distributed along with the reports:

*To conduct the review, please take the following steps.*

1. *Review all staff on the list and determine if access is appropriate.*
2. *Evaluate staff that require access and determine if their assigned security is appropriate for their duties.*
3. *Complete the appropriate network form for staff whose access needs to be terminated. A copy of the DHHR Network Delete Form is provided.*
4. *Complete the FACTS Access Verification Form for each staff person.*
5. *Return the forms in a bundle by individual District, Region, Resource and Referral Agency and State Office by April 21, 2008.*

*This annual process requires that FACTS Administrative Staff receive a returned confirmation for each employee listed on the reports. For this review it is mandatory that access and securities be reviewed for each person who accesses the FACTS Application. The authority conducting the review must sign and return the verification form and any appropriate network forms.*

*The verification form has been modified by adding this disclaimer, to the securities signature line: By signing I am verifying that the above named individual has the appropriate securities needed to perform their job function or is needing the changes listed above to make them appropriate to their position and current function.*

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–55 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS  
(Prior Year Finding 2007–54) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families Grant Award 75-8-1536	93.558
	Medicaid Cluster Grant Award 05-0805WV5028	93.775/93.777/ 93.778
	Low-Income Home Energy Assistance Grant Award G–070699	93.568
	State Children’s Health Insurance Program Grant Award 0605WV5021/0705WV5021	93.767
	Child Care Cluster Grant Awards 75–8–1515, 75–8–1550	93.575/93.596
	Foster Care—Title IV–E Grant Award 75–8–1536	93.658
	Adoption Assistance Grant Awards 75–8–1536	93.659
	U.S. Department of Agriculture Food Stamps Cluster Grant Award 1WV400401/1WV420451	10.551/10.561

Regarding IT Dependent Application Level and Other Business Process Controls:

Although FACTS produces several different exception reports and distributes them to supervisors and district managers on a consistent scheduled basis, the responsibility to take action and record the results of that action lies with programmatic staff.

BCF will review policies and procedures to ensure that edit reports are generated and sent to the appropriate personnel on a regular basis for review. Will also review that policies and procedures include that exceptions will be investigated and resolved in a timely manner and that all necessary action will be documented.

Regarding FACTS Supervisors’ ability to override controls:

The Bureau for Children and Families payment process and business rules are embedded within the FACTS application. The Bureau maintains oversight and management responsibility for any payments generated from FACTS. Payments issued from FACTS are reimbursements to providers for services rendered.

To facilitate BCF’s payment control procedures, FACTS generates a report twice a month of payments requested and approved by a supervisor. The report ID is SSA-4990. This report is distributed to the BCF Deputy Commissioner of Operations and the BCF Chief Financial Officer.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–56 PAYROLL AUTHORIZATION PROCEDURES**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families Grant Award 75-8-1536	93.558
	Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0805WV5028 Low-Income Home Energy Assistance Grant Award G-070699	93.568
	State Children’s Health Insurance Program Grant Award 0605WV5021/0705WV5021	93.767
	Child Care Cluster Grant Awards 75–8–1515, 75–8–1550	93.575/93.596
	Foster Care—Title IV–E Grant Award 75–8–1536	93.658
	Adoption Assistance Grant Awards 75–8–1536	93.659
	U.S. Department of Agriculture Food Stamps Cluster Grant Award 1WV400401/1WV420451	10.551/10.561

**Criteria:** Management of the U.S. Department of Health and Human Services is responsible for establishing and maintaining adequate controls related to the approval of payroll for employees of the West Virginia Department of Health and Human Resources (DHHR).

**Condition:** We reviewed individual employee payroll cash disbursements during the fiscal year ended June 30, 2008, and noted the following:

- There were 6 instances out of 64 in which the annual leave form was not approved by a supervisor prior to leave date.
- There was 1 instance out of 50 in which the time sheet was not approved by the Supervisor.

**Questioned Costs:** Unknown

**Context:** Total federal expenditures for these programs can be located in the Schedule of Expenditures of Federal Awards. The majority of the disbursements for these programs are non-payroll-related benefit payments.

**Cause:** DHHR has policies and procedures in place for the approval of individual employee pay but has failed to actively enforce the procedures.

**Effect:** Amounts claimed as compensation may not be indicative of the actual hours worked.

**Recommendation:** We recommend that DHHR enforce and monitor existing payroll authorization procedures.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–56 PAYROLL AUTHORIZATION PROCEDURES  
(continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Temporary Assistance for Needy Families	93.558
	Grant Award 75-8-1536	
	Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0805WV5028	
	Low-Income Home Energy Assistance	93.568
	Grant Award G-070699	
	State Children’s Health Insurance Program	93.767
	Grant Award 0605WV5021/0705WV5021	
	Child Care Cluster	93.575/93.596
	Grant Awards 75–8–1515, 75–8–1550	
	Foster Care—Title IV–E	93.658
	Grant Award 75–8–1536	
	Adoption Assistance	93.659
	Grant Awards 75–8–1536	
	U.S. Department of Agriculture	
	Food Stamps Cluster	10.551/10.561
	Grant Award 1WV400401/1WV420451	

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

The Department routinely stresses to supervisory staff the importance of complying with the Division of Personnel Administrative Rule, Section 14 Attendance and Leave Regulations. In addition, the Department conducts a monthly internal audit process that reviews all DOP-L requests for leave forms, leave taken and entered into the Leave and Reporting System (LARS). If there are issues, training is provided to the timekeeper and the supervisor. It is important to note if there are inadequate leave balances, the WV-11 system is used to adjust employees’ pay.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–57 FEDERAL EFFICIENCY STANDARDS  
(Prior Year Finding 2007–57)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Child Support Enforcement	93.563
	Grant Award 75–X–1501	

**Criteria:** 45 CFR Section 308.2 requires the following federal efficiency standards:

“(e) *Securing and Enforcing Medical Support Orders*. A state must have and use procedures required under this paragraph in at least 75% of the cases reviewed.”

**Condition:** During our review of the West Virginia Department of Health and Human Resources (DHHR) self-assessment report for the federal fiscal year 2007, we noted that they failed to maintain an efficiency standard higher than the percentage required by federal regulations in one of the required program compliance areas.

**Questioned Costs:** N/A

**Context:** Securing and Enforcing Medical Support - DHHR’s compliance rate was 34%. The federal requirement is 75%. The review identified numerous deficiencies and issues in data collection processes, programming, forms, policy, procedures, training, and supervision that contributed to the inadequate rate of compliance.

**Cause:** Management indicated that the errors appear to be the result of basic case processing deficiencies primarily due to the lack of automation associated with the evaluation of case files for the next appropriate action within the processing functions of the OSCAR computer system.

**Effect:** DHHR has not met the prescribed federal efficiency standards as established.

**Recommendation:** We recommend that DHHR implement the recommendations outlined in their self-assessment report in a timely manner. Furthermore, DHHR should continue to assess the training provided employees, the automation of the OSCAR computer system, and consider utilizing various checklists and review processes to enhance performance in the deficient areas.

**Views of Responsible Officials and Planned Corrective Actions:** The Bureau for Child Support Enforcement (BCSE) agrees with this finding which is a repeat finding from prior years. The finding is based on the BCSE’s own annual Self-Assessment review and report of its compliance with case processing standards relating to the establishment of medical support obligations and their enforcement. The purpose of Self-Assessment is to allow the IV-D program to self-identify issues where there is opportunity for process improvement without the fear of any financial penalty or other adverse consequences for having identified the deficiencies. The 2007 Self-Assessment Report made 16 specific recommendations of actions which the Bureau should consider implementing to achieve fuller compliance with procedural requirements. Training on Medical Support processing is included in the standard curriculum for child support caseworkers and front-line supervisors and specifically covered in the case processing evaluation tool that supervisors use to review and monitor the quality of case work of staff under their supervision.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–58 DATA RELIABILITY REPORT**  
**(Prior Year Finding 2007–58)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Child Support Enforcement Grant Award 75–8–1536	93.563

**Criteria:** The Child Support Performance and Incentive Act allows incentive payments to states based on performance on each of the following performance indicators:

- Paternity Establishment Paternity Level
- Support Order Performance Level
- Current Payments Performance Level
- Arrearage Payments Performance Level
- Cost-Effectiveness Performance Level

Section 458A(b)(5)(B) of the Act requires that State-reported data used to determine the performance levels are complete and reliable.

**Condition:** The Administration for Children and Families (ACF) conducted a Modified Data Reliability Audit for fiscal year 2008, for the purpose of determining the reliability of certain performance indicators reported by the West Virginia Department of Health and Human Resources (DHHR). As a result, certain deficiencies were noted in the medical support data lines of the Office of Child Support Enforcement (OCSE) 157 Report. Specifically lines 2e, 21, and 21a of the OCSE-157 Federal Report contained deficiencies which required corrective action by DHHR.

**Questioned Costs:** N/A

**Context:** Total federal expenditures for the Child Support program were \$23,538,034 for the year ended June 30, 2008. Line 2e of the report captures *Arrears Only – IV–D Cases with Orders Established Open at the End of the Fiscal Year*. Line 21 of the report captures *“Cases Open at the End of the Fiscal Year in Which Medical Support is Ordered.”* Line 21a of the report captures *“Cases Open at the End of the Fiscal Year in Which Medical Support is Ordered and Provided.”*

**Cause:** Management indicated that the findings regarding the medical support data were a result of errors in inputting information into the automated OSCAR system and possible problems with formulas within the system that affect reporting or exclusion of cases. They also noted that the findings related to the performance indicator lines were the result of errors in inputting information into the automated system.

**Effect:** Information reported on the OCSE-157 Report may not be reliable to ensure accurate reporting to the federal grantor.

**Recommendation:** DHHR should implement the recommendations as reported and approved by ACF in their Audit Report.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–58 DATA RELIABILITY REPORT**  
**(Prior Year Finding 2007–58) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Child Support Enforcement	93.563
	Grant Award 75–8–1536	

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

OCSE’s Audit Report on the 2007 Data Reliability Audit of the Bureau for Child Support Enforcement noted that no major deficiencies were found in the data that was reported on the eight performance indicator lines of the OCSE-157 Report and that no major deficiencies were found relative to the Bureau’s data that is used to determine the Cost-Effectiveness performance indicator. It noted that the Department’s receipt of the Final Report on the 2007 Data Reliability Audit should be considered as official notification of the reliability of the data for the 2007 reporting period.

The Audit Report did make a Management Finding on the data reported on three other lines of the OCSE-157 Report relating to medical support obligations and their enforcement. OCSE expects but has not yet developed an official performance standard to which incentive or penalty funding is attached. There is no adverse consequence to the Bureau of the Management Finding. With no official standard promulgated, the Bureau is not certain as to exactly what corrective steps will ultimately be relevant and required in order for it to report this data in a reliable manner. However, the Bureau has made a focused effort in training, oversight, and changes to automated support to address the issues which have contributed to this Management Finding. The Bureau will continue to evaluate the way it processes and maintains data relating to medical support issues in an effort to improve its reporting of this kind of data. It is noted that this is a “reporting” problem and is not reflective of actual case processing and services to the beneficiaries of the IV-D program.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-59 ALLOWABILITY AND ELIGIBILITY**  
**(Prior Year Finding 2007-59)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Low-Income Home Energy Assistance	93.568
	Grant Award G-07B1WVLIEA	

**Criteria:** The eligibility compliance requirements of the Low-Income Home Energy Assistance Program (LIHEAP) require the West Virginia Department of Health and Human Resources (DHHR) to determine whether federal monies are spent in accordance with the eligibility guidelines promulgated by 42 USC 8624(b)(2).

**Condition:** We noted the following during a review of 78 benefit payments for eligibility and allowability:

- For 1 of the 78 benefit payments, the LIHEAP application and supporting documentation was not provided by the subrecipient agencies.
- For 4 of the 78 benefit payments, a fuel supplier agreement was either not provided or was not properly completed.
- For 4 of the 78 benefit payments, the required form OFS-67 for LIHEAP emergency payments was not provided for review by the subrecipient agencies.
- For 4 of the 78 benefit payments, the file was missing proof of heating costs documenting immediate need as required for emergency payments.
- For 5 of the 78 benefit payments, the application form was not properly completed by the caseworker and/or the client.

**Questioned Costs:** Unknown

**Context:** For the one case which was not provided by the subrecipient agencies, the total benefit payment was \$205. For the four cases which were missing for OFS-67, the total benefit payments were \$1,198. For the four cases which were missing proof of heating costs documenting immediate need for emergency help, the total benefit payments were \$1,252. For the five cases with improperly completed application forms, the total benefit payments were \$1,210.

For the four providers (vendors) missing a fuel supplier agreement, the total amount paid to the providers was \$1,563. Total federal expenditures for the LIHEAP program for the fiscal year ended June 30, 2008, were \$21,476,337.

**Cause:** Management indicated that the errors were due to caseworker oversight.

**Effect:** A payment may have been made for ineligible recipients and some payments were not properly approved and/or supported with appropriate documentation.

**Recommendation:** DHHR should review the current training programs for the LIHEAP program to ensure adequate technical training is provided. Furthermore, DHHR should establish policies and procedures to ensure that necessary approvals are obtained and the necessary documentation is maintained in the recipient case files.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-59 ALLOWABILITY AND ELIGIBILITY  
(Prior Year Finding 2007-59) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Low-Income Home Energy Assistance	93.568
	Grant Award G-07B1WVLIEA	

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

Corrective action plans will be developed, implemented and monitored under the auspice of the Office of the Deputy Commissioner to ensure that policy and practice are followed to maintain accurate records of applications and supporting documentation as justification for the expenditure of federal LIHEAP funds. The status of any corrective action plans will be provided as part of the ongoing progress updates each month for single audit findings.

Central Office LIHEAP Policy staff is responsible for maintaining the original Fuel Supplier Agreements. No Central Register has been maintained on the complete listing of all LIHEAP Vendors to date. Central Office staff will contact all District Offices to provide our staff with a list of Vendors on file at the District Level. Central Office Policy Staff will continue to develop a Central Register of all statewide LIHEAP Vendors and work to keep all Agreements filed.

The Bureau for Children and Families (BCF) Policy and BCF Training staff are continually evaluating new and tenured worker training to provide additional and enhanced training for all federal programs including LIHEAP. The Department's BCF will continue its efforts to locate all missing documentation.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–60 SUBRECIPIENT MONITORING**  
**(Prior Year Finding 2007–61)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Low-Income Home Energy Assistance	93.568

**Criteria:** OMB Circular No. A–133, Subpart D §400 requires a pass-through entity to “monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.” Pass-through entities are required to develop monitoring procedures including programmatic and financial monitoring to ensure subrecipients have used federal funds for authorized purposes.

OMB Circular A–133 requires that a pass-through entity spending more than \$500,000 in federal awards must have required audits completed in accordance with OMB Circular A–133 and provide copies of their audit reports to the primary recipient. The required audits must be completed within nine months of the end of the subrecipients’ audit period and a management decision on audit findings must be issued within six months after receipt of the subrecipients’ audit report.

**Condition:** Although the GOEO (Governor’s Office of Economic Opportunity) has developed monitoring procedures for Low-Income Home Energy Assistance Program (LIHEAP) subrecipients, we noted the following:

- Audit report(s) for one of the five subrecipient agencies’ selected for compliance testing was not received within nine months after the end of the subrecipients’ fiscal year.

**Questioned Costs:** Unknown

**Context:** Total federal awards for the LIHEAP program for fiscal year ended June 30, 2008, were \$21,476,337.

**Cause:** The GOEO does have formalized procedures in place for the monitoring of subrecipients and these procedures were followed by program personnel. Communication between the subrecipient agency and the GOEO regarding approval of an extended due date for submission of the agency’s audited financial statements was documented; however, due to unforeseen circumstances involving subrecipient management turnover, the audit report(s) were not submitted by the extended due date. For this particular subrecipient agency, the GOEO is not considered the cognizant/oversight agency, and there is no official interagency agreement to “submonitor” for the cognizant agency. However, the GOEO does share important concerns or findings with the cognizant agency.

**Effect:** The inability of the GOEO to obtain the required audit(s) from the subrecipient agencies could result in the GOEO being unable to determine, in a timely manner, the existence of material noncompliance or internal control issues with subrecipients that may be identified through the monitoring process.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008–60 SUBRECIPIENT MONITORING**  
**(Prior Year Finding 2007–61) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Low-Income Home Energy Assistance	93.568

**Recommendation:** The GOEO should continue to follow up with subrecipients subject to OMB Circular A–133 requirements to determine if the required audits are completed in a timely manner, submitted to the Federal Clearinghouse, and that all identified audit findings are resolved in a timely manner.

**Views of Responsible Officials and Planned Corrective Actions:** GOEO has placed into operation a system that provides a schedule of when the subrecipient independent audit reports are due, when to notify these organizations that their audit due dates are approaching, when they are expected to submit their audits to GOEO, and when these audits are received and classified as completed with the Federal Clearinghouse.

We believe this system worked effectively until one of the agencies underwent some dramatic managerial changes in 2008. The senior leadership of the organization (CEO and CFO) resigned amid serious problems with the internal accounting records. Bank and account reconciliations had not been completed for an extended period of time. This left the Board of Directors and interim agency management team without a clear picture of the financial activities or position of the organization. GOEO has had a large presence working with the agency to correct problems and insure proper internal controls are in place. The organization has hired a new CEO and is currently searching for a CFO to handle the day-to-day financial activities. The completion of the audit was delayed because of these problems. GOEO received the audit in January and is taking the necessary steps to insure the identified findings are resolved.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–61 DISASTER RECOVERY PLAN  
(Prior Year Finding 2007–62)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Child Care Cluster	93.596/93.575
	Grant Award 75–8–1515	
	Grant Award 75–8–1550	
	Grant Award 75–8–1536	

**Criteria:** Management of the West Virginia Department of Health and Human Resources (DHHR) is responsible for establishing and maintaining adequate controls and disaster recovery procedures to safeguard supporting documentation from loss.

**Condition:** DHHR utilizes various service providers for performing certain routine and critical data gathering necessary for the operation of its federal and State programs; however, DHHR has not developed policies and procedures including appropriate contract language to ensure that these service providers have adequate disaster recovery procedures in place.

**Questioned Costs:** N/A

**Context:** Total disbursements for the Child Care Cluster program for fiscal year ended June 30, 2008, were \$30,181,236.

**Cause:** Service providers who maintain certain critical records for the processing of allowability and eligibility of child care payments may not have adequate disaster recovery plans in place.

**Effect:** Critical data supporting allowability and eligibility may not be adequately safeguarded from loss which could result in disallowed costs.

**Recommendation:** The DHHR should ensure that all regional child care agencies have sufficient disaster recovery and backup procedures in place to safeguard the eligibility and allowability documentation supporting transactions. Furthermore, DHHR should ensure that the procedures are periodically updated and tested for effectiveness and completeness.

**Views of Responsible Officials and Planned Corrective Actions:** The Division of Early Care and Education has not yet decided upon a disaster plan that covers all foreseeable acts of nature (including floods, fires, tornados, explosions) and is also cost effective. All information that is collected on paper applications and payments is entered into the Family and Children Tracking System (FACTS) with the exception of signature pages and backup documentation of data entered into FACTS, such as original copies of payment requests, review forms completed by parents, and documentation of income or need for care.

Since federal CCDF funds have not been increased for more than five years, cost is a major factor in implementing a disaster plan that safeguards paper documents. DHHR would need to provide additional funding to the grantee agencies to enable them to implement a disaster plan. Options for a permanent plan include:

- Scanning of documents in FACTS. Costs for scanning equipment for offices and storage space in the FACTS system are both issues.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-61 DISASTER RECOVERY PLAN  
(Prior Year Finding 2007-62) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Child Care Cluster	93.596/93.575
	Grant Award 75-8-1515	
	Grant Award 75-8-1550	
	Grant Award 75-8-1536	

- Moving to an EBT payment system and online applications. Costs and time frames are an issue. This would require an outside contractor and a major overhaul of the child care system. It would be a multi year project and would not eliminate all paper documents.
- Document imaging. The Bureau is exploring the use of document imaging for all Bureau staff, but again costs and time frames for employing a contractor and implementing the system are an issue.

All of the above solutions demand additional funding and will be long-term projects for the Bureau to pursue.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–62 SUBRECIPIENT CASH MANAGEMENT  
(Prior Year Finding 2007–63)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Child Care Cluster	93.575/93.596
	Grant Award 75–8–1550	
	Grant Award 75–8–1536	
	Grant Award 75–8–1515	

**Criteria:** Office of Management and Budget (OMB) Circular A–102, Section 2(a) requires grantor agency to “establish methods and procedures for transferring funds to minimize the time elapsing between the transfer to recipients of grants and cooperative agreements and the recipient’s need for the funds.” Furthermore, OMB Circular A–133 requires interest earned by subrecipients on federal cash draws to be remitted to the appropriate agency in a timely manner.

**Condition:** The West Virginia Department of Health and Human Resources (DHHR) maintains two methods of transferring funds to subrecipients: reimbursing actual expenditures and making advance payments, which result in scheduled payments. DHHR has some procedures in place to monitor subrecipient cash management when advance payments are made; however, the procedures are not consistently applied throughout. DHHR has excess cash on hand or earned income (interest) as a result of excess cash on hand.

**Questioned Costs:** Unknown

**Context:** Total disbursements for the Child Care Cluster for fiscal year ended June 30, 2008, were \$30,181,236. Total disbursements to subrecipients of the Child Care Cluster for fiscal year ended June 30, 2008, were \$9,443,101. All of the subrecipient disbursements are on advance payments instead of on the reimbursement basis.

**Cause:** DHHR monitoring procedures are not consistently followed for certain grants which are funded in accordance with advance payments to monitor subrecipient cash management.

**Effect:** Subrecipients may have excess federal cash on hand and may not be remitting interest earned on the excess federal cash to DHHR.

**Recommendation:** DHHR should review the policies and procedures to ensure that the monitoring procedures are consistently applied throughout DHHR.

**Views of Responsible Officials and Planned Corrective Actions:** DHHR has some procedures in place to monitor subrecipient cash management. Subrecipients are required to submit quarterly and in some cases monthly, expenditure reports. These expenditure reports are to be reviewed before invoices are approved and invoiced amounts may be changed if expenditures are not meeting projections to prevent the subrecipient from accumulating cash. Additionally, Policy 3801 includes a checklist questionnaire that addresses the monitoring of cash management which cites the federal regulations. Also, grantees are informed of their responsibilities regarding interest they could potentially earn. Although the DHHR feels advance payments are an acceptable method of payments as it is consistent with federal grantor methods, we understand the

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-62 SUBRECIPIENT CASH MANAGEMENT  
(Prior Year Finding 2007-63) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Child Care Cluster	93.575/93.596
	Grant Award 75-8-1550	
	Grant Award 75-8-1536	
	Grant Award 75-8-1515	

potential risk involved. Policies and procedures are continuously reviewed to look for better ways of addressing monitoring subrecipients' cash on hand to ensure the potential for grantees to earn interest is minimized. We are working to develop a standardized letter or memorandum for mailing to all subrecipients, as an additional notice or supplement to the grant agreement, to reiterate the federal regulations concerning cash management and interest earned on advanced payments.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-63 ELIGIBILITY REDETERMINATIONS**  
**(Prior Year Finding 2007-64)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Foster Care—Title IV-E	93.658
	Grant Award 75-7-1545	
	Grant Award 75-8-1545	

**Criteria:** The eligibility compliance requirements of the Foster Care—Title IV-E program require the West Virginia Department of Health and Human Resources (DHHR) to determine whether federal monies are spent in accordance with the eligibility guidelines promulgated by the Adoption Assistance and Child Welfare Act of 1980.

**Condition:** We reviewed 78 transactions for allowability and eligibility and noted the following:

- Forty-two cases did not have documentation supporting that the facility the child was placed in was a reimbursable facility.

**Questioned Costs:** \$58,143

**Context:** The 42 different cases represent \$58,143.60 out of a total of \$131,626.81 in total payments tested for eligibility. Total federal expenditures for the Foster Care program were \$27,322,131 for the year ended June 30, 2008.

**Cause:** Due to staff limitations and the number of eligibility requirements, management indicated that they have been unable to stay current with the Foster Care—Title IV-E case files.

**Effect:** Ineligible and potentially ineligible claims could be reimbursed using federal funds.

**Recommendation:** DHHR should review the current staffing and training programs of the Foster Care—Title IV-E Office to ensure sufficient staff levels are maintained and adequate technical training is provided. In addition, DHHR should continue to review its policies and procedures for eligibility redeterminations to ensure that a thorough, consistent, and efficient eligibility redetermination process is followed. Such policies and procedures should include appropriate follow-up on all findings found during the review process. Further, the policies and procedures should include the utilization of all redetermination features in the Family and Children Tracking System (FACTS), such as verifying that information entered into the FACTS system is accurate.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–63 ELIGIBILITY REDETERMINATIONS  
(Prior Year Finding 2007–64) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Foster Care—Title IV–E	93.658
	Grant Award 75–7–1545	
	Grant Award 75–8–1545	

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

At the time of the 2008 Single Audit, the Resource Development Unit (RDU) did not collect licensing and certification documents for Placement Agencies and Foster Homes. Title IV-E eligibility was determined for the client, separate from provider reimbursability. Provider reimbursability and licensing was documented in FACTS and those determinations were made automatically based on the information entered into the SACWIS. Provider eligibility has recently become a requirement for a child’s Title IV-E eligibility and the following measures were taken in order to comply with federal guidelines.

- On October 1, 2008, the Office of Planning and Quality Improvement (OPQI), RDU, launched its Provider Project. This project was created to provide a more uniform and coherent response to federal auditors’ questions regarding Foster Care Provider reimbursability. The main objective of this project is to monitor and maintain provider records in regards to Title IV-E eligibility. The development of this project was necessary due to the Administration for Children and Families (ACF) increased focus on provider documentation during the 2008 Federal Review.
- The Provider Project is comprised of two positions, a Title IV-E Specialist and an Office Assistant, who operate under the direction of the Director of Resource Management. These employees are responsible for the centralized maintenance of provider files, which include all documentation required by the ACF for Title IV-E compliance. The files will include Criminal and Protective Services Background Checks for employees and household members, and Foster Home Certifications, to name a few. All documentation collected is stored both physically and electronically.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–64 ELIGIBILITY DOCUMENTATION  
(Prior Year Finding 2007–66)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	Adoption Assistance	93.659
	Grant Award 75-7-1545	
	Grant Award 75-6-1545	

**Criteria:** Section 473 of the Social Security Act states that the Adoption Assistance Agreement must be in effect prior to the adoptive parents' receipt of the Adoption Subsidy. Also, 45 CFR 1356.40 states the Adoption Assistance Agreement must be signed and in effect at the time of or prior to the final decree of adoption, and a copy of the signed agreement must be given to each party. Further, the eligibility compliance requirements of the Adoption Assistance program require the West Virginia Department of Health and Human Resources (DHHR) to determine whether federal monies are spent in accordance with the eligibility guidelines promulgated by the Adoption Assistance and Child Welfare Act of 1980.

**Condition:** Of the 78 cases reviewed for eligibility 6 did not have a Final Adoption Decree. Of the 78 cases reviewed for eligibility, 6 did not have a signed Adoption Placement Agreement available in the case file. Of the 78 cases reviewed 6 did not have a Consent Form. In 1 of the 78 cases reviewed, the Adoption Placement Agreement was present but was not properly signed by the social worker that completed it. In 1 of the 78 cases reviewed, the biological parents' names were missing from the Adoption Placement Agreement.

**Questioned Costs:** Unknown

**Context:** The 20 instances (13 case files) represent \$5,713 out of a total of \$40,377 in total payments tested for eligibility. Total federal expenditures for the Adoption Assistance program were \$13,716,084 for the year ended June 30, 2008.

**Cause:** Management indicated that the lack of inclusion of the proper forms in the case files was an oversight by the caseworker.

**Effect:** Ineligible or potentially ineligible claims may have been reimbursed using federal funds.

**Recommendation:** The DHHR should review the current staffing and training programs of the Adoption Assistance Office to ensure sufficient staff levels are maintained and adequate technical training is provided. Furthermore, the DHHR should establish policies and procedures to ensure that necessary documentation is filed in the adoption case files.

**Views of Responsible Officials and Planned Corrective Actions:** DHHR has implemented a check-off list for staff to use to ensure that necessary forms and signatures have been obtained. When adoption records are forwarded to the State office, the file is reviewed to be sure all information is included. DHHR will stress to the staff the importance of ensuring that all documents are included in the case file and that all forms are signed and dated. DHHR staff is unable to correct deficiencies in case files that had been completed before the implementation of the new procedures.

**STATE OF WEST VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2008**

**2008-65 DUPLICATE PAYMENT**  
**(Prior Year Finding 68)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	State Children's Health Insurance Program	93.767
	Grant Award 0705WV5021	
	Grant Award 0805WV5021	

**Criteria:** Management of the West Virginia Department of Health and Human Resources (DHHR) and the West Virginia State Children's Health Insurance Program (SCHIP) are responsible for establishing and maintaining adequate controls over its information systems and the related processes. An integral part of an entity's accounting function is the establishment of internal control, adequate controls to prevent duplicate payments with major federal award payments.

42 CFR Subpart C, Section 457.300 precludes payment for expenditures for child health assistance provided to children eligible for coverage under other federal health care programs. Furthermore, management of the DHHR and SCHIP are responsible for establishing and maintaining adequate controls over its information systems and the related processes. An integral part of an entity's accounting function is the establishment of internal control, including adequate controls to prevent duplicate payments with major federal award payments.

**Condition:** The SCHIP program utilizes a complex computer system environment for the determination of eligibility and disbursement payment; however, there are no formal controls to cross-check claimant payments to the Medicaid payment system. Thus, duplicate payments could occur and not be detected in a timely manner.

**Questioned Costs:** Unknown

**Context:** Total federal expenditures for the SCHIP program were \$35,542,703 for the year ended June 30, 2008.

**Cause:** SCHIP does not have the necessary controls in place to prevent duplicate payments.

**Effect:** Duplicate payments could occur between the Medicaid federal funds and the SCHIP federal funds and not be detected in a timely manner.

**Recommendation:** We recommend that management of DHHR work with SCHIP to ensure controls are developed and put in place to prevent future duplicate payments. Furthermore, SCHIP should consider utilizing existing providers of services to DHHR such as Healthwatch, etc., for the development of mitigating controls to help detect and prevent potential duplicate payments.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-65 DUPLICATE PAYMENT  
(Prior Year Finding 68) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services	
	State Children's Health Insurance Program	93.767
	Grant Award 0705WV5021	
	Grant Award 0805WV5021	

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

Please note that WVCHIP started contracting with Health Management Systems (HMS), the State Medicaid Program's Third-Party Liability contractor, to help detect any duplicate payments made between WVCHIP and Medicaid in October 2007. WVCHIP has also identified and started implementation of a second alternate solution to help prevent any potential duplicate payments between the two programs. This process requires a monthly list generated by RAPIDS that identifies those children who have overlapping WVCHIP and Medicaid coverage. A RAPIDS representative follows-up with county workers to close the appropriate span. WVCHIP notifies its claims processors that these children are no longer eligible and closes the coverage as of the appropriate date to stop paying any additional claims on behalf of this child. The TPA will then reverse all claims paid on behalf of this child with dates of service after the new ending date and inform the provider that the child is now eligible for Medicaid and the provider should bill Medicaid. This new process is being implemented in early 2009.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–66 QUALITY CONTROL – ERROR RATE  
(Prior Year Finding 2007–72)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b> U.S. Department of Health and Human Services Medicaid Cluster  Grant Award 05–0605WV5028	<b>CFDA#</b>  93.775/93.777/ 93.778
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**Criteria:** 45 CFR 74.62 outlines the U.S. Department of Health and Human Services’ (USDHHS) right to impose sanctions against a state for failure to meet quality standards. “If a recipient materially fails to comply with the terms and conditions of an award, whether stated in a Federal statute or regulation, an assurance, an application, or a notice of award, the USDHHS awarding agency may, in addition to imposing any of the special conditions outlined in §74.14, take one or more of the following actions, as appropriate in the circumstances:

1. Temporarily withhold cash payments pending correction of the deficiency by the recipient or more severe enforcement action by the USDHHS awarding agency.
2. Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
3. Wholly or partly suspend or terminate the current award.
4. Withhold further awards for the project or program.
5. Take any other remedies that may be legally available.”

Furthermore, management is responsible for maintaining adequate internal controls over disbursements to ensure that expenditures are made in accordance with the required guidelines.

The management of the West Virginia Department of Health and Human Resource (WVDHHR) is responsible for establishing and maintaining controls over the processing of payments and eligibility to minimize the risk of errors occurring and not being detected.

**Condition:** The State of West Virginia Quality Assurance Annual Report dated June 16, 2008, reported that the State’s 12-month sanction error rate for the West Virginia Department of Health and Human Resources’ (DHHR) Medicaid Program (for regular Medicaid cases not the pilot program) decreased to 2.61% for fiscal year 2007. The 12-month sanction error rate for fiscal years 2006 and 2005 were 4.20% and 5.40%, respectively. The fiscal year 2007 amount is below the federal tolerance level of 3.00%. Agency errors accounted for .46% of the dollar loss and client errors accounted for 2.15% of the dollar loss.

For this report period, as well as the reporting periods to fiscal year 1995, the State has participated in a special Quality Assurance pilot project. Centers for Medicare and Medicaid Services (CMS) approved a number of states to participate in alternative Quality Control systems. The purpose of the pilot program was to expand normal quality control functions into areas that had not been explored previously. In addition to enabling states the flexibility to direct their quality assurance efforts on issues of special interest to the state, another incentive for participating in a Medicaid pilot program was that all sanction liabilities would

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-66 QUALITY CONTROL – ERROR RATE  
(Prior Year Finding 2007-72) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0605WV5028	

be waived for the pilot status period of time. The pilot program focused on a review of Medicaid cases involving Third-Party Liability Insurance Payments for the period of October 2004 to September 2005.

The West Virginia Office of the Inspector General (OIG) Quality Control Division completed a monitoring during 2008 and noted that error findings could be avoided with refresher training of the field workers and a supervisory review of Medicaid cases. The following were the errors noted by the OIG:

- Error findings indicate workers should have Refresh Training on:
  - (a) reviewing of RAPIDS results before confirmation of benefits.
  - (b) benefit group composition for the main categories of Medicaid coverage.
  - (c) careful interviewing for income sources (earned and unearned).
  - (d) use of Data Exchange in RAPIDS.
  - (e) managing alerts and broadcast messages generated by RAPIDS.
  - (f) documentation of specific and complete case comments on RAPIDS screen CMCC.

Error findings also indicate the need for Supervisory Reviews on Medicaid cases.

**Questioned Costs:** Unknown

**Context:** The sanction error rate for fiscal year 2007 of 2.41% is a decrease from fiscal year 2006 which is the federal tolerance level of 3.00%. The State is participating in a Medicaid pilot program; a sanction liability would have been waived for fiscal year 2007. For this 12-month period, Agency Errors accounted for 1.26% of case errors and .46% of the total dollar loss. Client Errors accounted for 2.97% of case errors and 2.15% of the dollar loss. The fiscal year 2007 federal match is 72.82%, so most of the dollar loss is in federal funding. The estimated cost of Medicaid Errors for fiscal year 2007 as reported by the Quality Assurance Report was \$20.3 million.

Total federal expenditures for the Medicaid Program were \$1,695,839,027 for fiscal year 2008.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-66 QUALITY CONTROL – ERROR RATE  
(Prior Year Finding 2007-72) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0605WV5028	

**Cause:** The DHHR staff contends that the excessive error rate was due to employee turnover and staffing limitations impeding their ability to focus on improving the error rate.

The Bureau of Medical Services has relied on detecting fraud and overpayments after they occur and not on preventative measures to minimize costs of Medicaid fraud and overpayments.

**Effect:** The error rate exceeding the federal tolerable level indicates weaknesses in internal control and compliance with Medicaid claims processing, which increases the risk that federal awards may be expended for unallowable purposes.

With additional training and review, WVDHHR may be able to reduce the potential for erroneous Medicaid claims, and improve the accuracy of payments in the Medicaid Program.

**Recommendation:** We recommend that DHHR follow and implement the corrective action suggestions listed in the Quality Assurance Report and continue to monitor the error rate percentage.

We recommend that the WVDHHR implement the corrective action strategies in a timely manner.

**Views of Responsible Officials and Planned Corrective Actions:** DHHR’s Bureau for Children and Families (BCF) is currently providing eligibility training for its workers as well as supervisory reviews on a sample of Medicaid cases. The Department has also been performing Payment Error Rate Measurement (PERM) reviews of Medicaid and State Children’s Health Insurance Program (SCHIP) cases.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-67 ALLOWABLE COSTS  
(Prior Year Finding 2007-69)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b> U.S. Department of Health and Human Services Medicaid Cluster  Grant Award 05-0605WV5028	<b>CFDA#</b>  93.775/93.777/ 93.778
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**Criteria:** The West Virginia Department of Health and Human Resources (DHHR) is required to set payment rates for the services billed by county school boards.

**Condition:** There was an error in the rate calculation for school-based services which resulted in overpayments to the county school boards. DHHR is in process of determining the amount of the error in the rate calculation, so the amount of the provider overpayments has not yet been quantified. This matter is also being investigated by Centers for Medicare and Medicaid Services (CMS) and the Office of Inspector General (OIG).

As of the date of our fieldwork, DHHR had reimbursed the U.S. Department of Health and Human Services (USDHHS) for the 2006 overcharges; however, the 2001 through 2005 charges had not been settled with USDHHS. Furthermore, fiscal years 2007 and 2008 are still subject to review.

A procedural issue has also caused an error in adjusting the claims. Retroactive claims are only allowed to go back two years. DHHR filed retroactive claims going back three years. Also, when making the adjustment for the retroactive claims, DHHR used the current FMAP. The prior years' FMAP rates from the period of the claims should have been used to make the adjustments.

A draft report from OIG was issued January 12, 2009 on the "Review of Timeliness of West Virginia's Retroactive Claims for Medicaid School Based Service." The report cites Section 1132(a) of Title XIX of the Social Security Act, limiting federal payment to claims for expenditures that are filed "within the two-year period which begins on the first day of the calendar quarter immediately following such calendar quarter (in which the expenditure was made."

**Questioned Costs:** Unknown

**Context:** The total financial impact of the calculation error rate is estimated to be \$1,811,089 for the fiscal year ended June 30, 2001, \$3,034,609 for the year ended June 30, 2002, \$2,414,744 for the year ended June 30, 2003, \$2,827,357 for the year ended June 30, 2004, and \$2,800,000 for the year ended June 30, 2005. The total financial impact of the procedural errors is estimated to be \$2,200,000 for the period covering 2001 through 2003. The financial impact for fiscal years 2007 and 2008 is unknown. DHHR continues to adjust the claims in the current years but is unaware of whether or not the rates are correct because the OIG report on the rates is still outstanding.

According to the OIG Report, "the State agency did not fully comply with Federal requirements for an exemption to the two year limit for filing retroactive claims." The Medicaid Program claimed \$4.1 million (Federal share) outside of the filing window. Of this amount OIG states, "\$2.3 million (Federal share) related to new cost components that were not in the original rates used to compute the Federal reimbursement for past services and did not reflect the settlement of previously identified costs." The OIG states these costs are unallowable. The remaining \$1.8 million met the requirements for an exemption.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-67 ALLOWABLE COSTS  
(Prior Year Finding 2007-69) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Health and Human Services Medicaid Cluster	93.775/93.777/ 93.778
	Grant Award 05-0605WV5028	

Total federal expenditures for the Medicaid program during the fiscal year ended June 30, 2008 totaled \$1,695,839,027; June 30, 2007 totaled \$1,550,239,319 and for 2006 totaled \$1,591,654,314.

**Cause:** Management indicated that the consultant hired to assist with the rate calculation made an error when calculating the appropriate rate for school-based services and did not take into consideration the procedural issues identified above.

**Effect:** The errors resulted in overpayments to the county school boards.

**Recommendation:** We recommend that DHHR determine the proper rates that should have been paid for school-based services. Once the proper rate has been determined, we recommend that DHHR adjust the current rates for those services, recoup the overpayments from the county school boards, and refund the federal government the applicable portion of any overpayments. Furthermore, management should promptly address the OIG findings and refund the \$2,298,329 of costs claimed after the two-year filing limit that were not exempt. Management should also address the CMA and additional OIG reports when received, with the appropriate corrective action.

**Views of Responsible Officials and Planned Corrective Actions:** Management has responded to the first draft audit report. When the report is finalized the Department will work with CMS to rectify any issues.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–68 FEDERAL REPORTING**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b> U.S. Department of Health and Human Services Health Care and Other Facilities Grant Award C76HF06353–01–01	<b>CFDA#</b>    93.887
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**Criteria:** 45 CFR § 74.51 monitoring and reporting program performance states “Annual reports shall be due 90 calendar days after the award year; quarterly or semi-annual reports shall be due 30 days after the reporting period. The HHS awarding agency may require annual reports before the anniversary dates of multiple year awards in lieu of these requirements. The final performance reports are due 90 calendar days after the expiration or termination of the award.”

**Condition:** Management did not have policies and procedures in place to ensure the timely filing of federal financial reports. Specifically, the final Federal Status Report SF- 269A for Shepherd University for the period of July 1, 2007 to October 31, 2007, was submitted on November 12, 2007, which was approximately 288 days past the due date of January 29, 2008.

**Questioned Costs:** N/A

**Context:** The required federal financial report was filed 288 days late.

**Cause:** Management did not have controls in place that would ensure timely reporting of federal awards. Management indicated that they were unable to obtain clarification from the grantor agency regarding certain reporting requirements.

**Effect:** Shepherd University does not have effective policies and procedures to ensure timely and accurate findings.

**Recommendation:** Management should ensure that adequate policies and procedures are implemented to ensure appropriate internal controls that would allow for the timely reporting of all federal awards.

**Views of Responsible Officials and Planned Corrective Actions:** Preemptive action will be taken in the future to assure all reporting requirements are filed on time. This will include knowing the HRSA reporting regulations prior to the acceptance of a grant.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–69 SUBRECIPIENT MONITORING  
(Prior Year Finding 2007–81)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Division of Homeland Security and Emergency Management Services	
	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036
	Grant Award FEMA–0–1455–WV	
	Grant Award FEMA–0–1474–WV	
	Grant Award FEMA–0–1500–WV	
	Grant Award FEMA–0–1522–WV	
	Grant Award FEMA–0–1588–WV	
	Grant Award FEMA–0–1574–WV	
	Grant Award FEMA–0–3221–WV	
	Grant Award FEMA–0–1696–WV	

**Criteria:** All subrecipients subject to OMB Circular A–133 with fiscal years ending after 2005 and spending more than \$500,000 in federal awards must have required audits completed in accordance with OMB Circular A–133 and provide copies of their audit reports to the primary recipient. Also, pass-through entities are required to develop monitoring procedures including programmatic and financial monitoring to ensure subrecipients have used federal funds for authorized purposes. Furthermore, pass-through entities are required to determine if the audit report is on file with the Federal Clearinghouse prior to granting eligibility for the current year.

**Condition:** We noted the following issues related to subrecipient monitoring for The West Virginia Division of Homeland Security and Emergency Management (DHSEM):

- DHSEM was unable to provide documentation of which subrecipients had audits completed and filed with DHSEM. Further, management indicated that they review completed auditor reports posted to the State Auditor’s website; however, there is no evidence of this review or documentation regarding resolution of any issues identified.
- DHSEM had not determined if the required audit reports were appropriately filed with the Federal Clearinghouse prior to granting eligibility for the current year.
- DHSEM is not documenting physical programmatic on-site monitoring.

**Questioned Costs:** Unknown

**Context:** Total federal expenditures for subrecipients and total federal expenditures for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program were \$749,498 and \$5,928,541, respectively, for the year ended June 30, 2007. Total federal expenditures for subrecipients and total federal expenditures for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program were \$2,315,046 and \$4,003,023, respectively, for the year ended June 30, 2008.

**Cause:** Management indicated that due to personnel turnover, lack of sufficient personnel and time constraints, a monitoring plan related to audit reports and on-site monitoring has not been developed and audit reports have not been tracked.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008-69 SUBRECIPIENT MONITORING  
(Prior Year Finding 2007-81) (continued)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	Division of Homeland Security and Emergency Management Services	
	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036
	Grant Award FEMA-0-1455-WV	
	Grant Award FEMA-0-1474-WV	
	Grant Award FEMA-0-1500-WV	
	Grant Award FEMA-0-1522-WV	
	Grant Award FEMA-0-1588-WV	
	Grant Award FEMA-0-1574-WV	
	Grant Award FEMA-0-3221-WV	
	Grant Award FEMA-0-1696-WV	

**Effect:** DHSEM does not have effective policies and procedures and evidential matter to support the subrecipient monitoring; therefore, management may not be able to identify issues in a timely manner.

**Recommendation:** DHSEM should develop formalized policies for receiving and tracking subrecipient audit reports. Additionally, procedures should be established to evaluate and follow-up on any instances of subrecipient compliance or internal control findings to ensure they are resolved in a timely manner and ensure that the report is on file with the Federal Clearinghouse. The procedures adopted should include a requirement to maintain the evidential matter to support the subrecipient monitoring performed. Management of DHSEM has informed us that an individual was hired late in the fiscal year to address these issues.

**Views of Responsible Officials and Planned Corrective Actions:** On October 1, 2008, Tom Dingess was hired as the Administration Director. His duties will include site visits and monitoring of DHSEM grantees. At the time of this response, site visits are being scheduled beginning January 2009. Development of the procedures will be an ongoing item as this is a new function.

**STATE OF WEST VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008**

**2008–70 OBLIGATING FUNDS  
(Prior Year Finding 2007–82)**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Homeland Security	
	Homeland Security Cluster	97.004/97.042/97.067
	Grant Award 2005–GE–T5–0045	
	Grant Award 2006–GE–T5–0039	
	Grant Award 2007–GE–T7–0041	

**Criteria:** Under the SHSP, LETPP, and UASI programs, states must obligate funds for subgrants within 60 days after the date of the grant award (Title III, Pub L. 108–90; Title III, Pub. L. 108–334, Title III; and Pub. L. 109–90). “*Obligate*” has the same meaning as in federal appropriations law, i.e., there must be an action by the state to establish a firm commitment; the commitment must be unconditional on the part of the state; there must be documentary evidence of the commitment, and the award terms must be communicated to the subgrantee and, if applicable, accepted by the grantee.

**Condition:** For Grant Award 2005–GE–T5–0045, 2006–GE–T6–0039, and 2007–GE–T7–0041, the West Virginia Division of Homeland Security / West Virginia Division of Military Affairs and Public Safety subgrant awards were not obligated within 60 days of receiving the grant award.

**Questioned Costs:** Unknown

**Context:** The grant for fiscal year 2005 was officially accepted by the DHSEM office in March 2005, but management did not begin working to obligate funds until September 2005. The grant for fiscal year 2006 was accepted July 2006, but management did not obligate any funds until July 2007. The grant for fiscal year 2007 was accepted August 2007, but management did not obligate any funds until May 2008. Total federal expenditures for subrecipients and total federal expenditures for the Homeland Security Cluster were \$11,434,958 and \$16,222,446, respectively, for the year ended June 30, 2008.

**Cause:** Due to issues identified in prior audits and investigations, management indicated they did not obligate funds until adequate controls could be implemented and personnel hired to address the deficiencies identified in the prior years.

**Effect:** The West Virginia Division of Homeland Security and Emergency Management (DHSEM) and DMAPS did not obligate the federal grant funds within the required 60 days after the date of the grant award.

**Recommendation:** DHSEM and DMAPS should follow the procedures implemented during the fiscal year ended June 30, 2008, and ensure funds are obligated within the required 60-day rule.

**Views of Responsible Officials and Planned Corrective Actions:** The Homeland Security State Administrative Agency (SAA) ensures that at least 80% of the grant funding is obligated to locals per the guidelines and that projects are implemented; however, the SAA operates in a mode such that decisions are not always timely. Obligating funding for allowable costs which ensure the State is as safe as possible is the primary concern of the SAA.



**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-1**      **TAX REVENUE IT CONTROLS AND**  
**2006-1**      **RELATED RECEIVABLES**  
**2005-1**      **Department of Revenue (Tax)**  
**2004-1, 3**    **Partially Resolved**  
**2003-1, 3**  
**2002-1, 3**

The State Tax Department's new integrated tax system, GenTax, captures receivable information in a timely manner and will generate accurate and reliable information regarding receivables, including the age and detailed supporting documentation. In meetings with the Financial Accounting and Reporting Section (FARS) of the Department of Administration and the independent audit firm in preparation for the FY 2008 audit, Tax has identified the receivable information needed, and will be able to provide receivable information in a timely manner.

Tax has implemented a policy providing for the manual identification and retirement of uncollectible receivables and accounts. Further, Tax is in the process of developing a policy that will provide for the automated identification and retirement of uncollectible receivables and accounts in GenTax.

Late in 2005, the Tax Department purchased and installed a new remittance processing system. With the purchase and installation of two Image Track scanners (purchased from International Business Machines, LLC) and two National Cash Register scanner/encoder machines every tax return along with attachments are prepared and scanned on the appropriate machine. The images are stored in archives or in GenTax. Implementation was over a one year period and each tax type was gradually included in the scanning process. In December 2007, an additional Image Track and National Cash Register scanner/encoder was purchased and installed. With images being stored in archives or GenTax, records are retained indefinitely.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-1      TAX REVENUE IT CONTROLS AND  
RELATED RECEIVABLES (Continued)**

The Remittance Tax System (RTS) is the Intelligent Forms Processing (IFP) system. The IFP system uses the IBM imaging application. Tax’s Information Technology Division will review each server, workstation and scanner that requires network access and changes will be made to meet or exceed the recommendations above. Network user lockout will be verified or set on the network logins. The IFP application does not supply a mechanism for a user to be locked out within the application. Please note if users cannot get logged onto the network, access to the IFP application is not granted. Tax has instituted the following changes regarding password settings:

Password expiration:	35 days
Minimum time before reuse of password	2 days
Minimum unique passwords before reuse	6 passwords
Minimum length of password	6 characters
Number of incorrect attempts before lockout	5 attempts
Duration of lockout	forever

A few issues remain with settings on some of the older applications; however, Tax is working around these issues.

Tax’s Information Technology Division has implemented a new Help Desk feature that allows the Department to track application changes for both the Business Tax System (BTS) and the Personal Income Tax System (PITS). These procedures are currently being reviewed to ensure that the proper tracking and documentation is being followed. Also, with the implementation of GenTax, PITS is “view only” and processing is now being completed in the GenTax system. This means changes to the PITS are not allowed and programming activities have stopped. Also, with many of the taxes from the BTS, having been converted to GenTax the legacy system is in view mode only and programming activities have stopped. Upon reviewing

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-1 TAX REVENUE IT CONTROLS AND  
RELATED RECEIVABLES (Continued)**

the Fiscal Year 2007 Single Audit, additional controls were set forth for the GenTax system and the segregation of duties has been addressed.

Any taxes that continue to be processed on the legacy systems are being reviewed to ensure that proper documentation is recorded in the HEAT tracking system. The HEAT tracking system is the application that the Help Desk uses to record and track reported issues and requests.

At the time of this audit, the Remittance Tax System (RTS), otherwise known as the Intelligent Forms Processing (IFP) system, was in a state of implementation and problems were being worked out. Changes are being made by the vendor in an effort to get the system stabilized and functioning correctly. Tax's Information Technology Division's management requested that a formal mechanism be established utilizing our HEAT tracking system to document any RTS changes, and those changes have been implemented.

Tax is swiftly putting a plan in action to address the network password settings issue. The Information Technology Division will review each server, workstation, scanner and user that requires network access. The audit's suggested changes have been or will be made to meet or exceed the recommendations above. Tax has instituted the following changes regarding password settings:

Password expiration:	35 days
Minimum time before reuse of password	2 days
Minimum unique passwords before reuse	6 passwords
Minimum length of password	6 characters
Number of incorrect attempts before lockout	5 attempts
Duration of lockout	forever

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-1      TAX REVENUE IT CONTROLS AND  
RELATED RECEIVABLES (Continued)**

A few issues remain with settings on some of the older applications; however, Tax is working around these issues.

With regard to the Control Program Information users, Tax's Information Technology Division has taken steps to eliminate, as much as possible, the segregation of duties concern. As previously stated, the legacy PITS has been placed in view mode only and no changes are being made to production. Also many of the taxes in BTS have also been placed in view mode only. Regarding the taxes that continue to be processed in BTS, the Information Technology Division is removing access from as many individuals as possible and new management procedures will be implemented for oversight of production updates. See current year finding 2008-1.

**2007-2      IT PROCESS CONTROLS REVIEW  
2006-2      State Auditor's Office (SAO) and  
2005-2      Department of Administration (OT)  
2004-2      Partially Resolved  
2003-2, 4  
2002-2  
2001-1**

Office of Technology (OT) is in the process of designing a new program migration process to achieve the proper segregation of duties. In addition, the risk of an unauthorized migration is minimal due to requests only being entered at management direction and the limited number of OT staff with approval authority, as well as these approvers' awareness to the issue. See current year finding 2008-2.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-3 POSTEMPLOYMENT OBLIGATION**  
**2006-3 Overall State**  
**Partially Resolved**

Policies and procedures are in place to ensure that sick and annual leave data is as accurate and consistent as possible, considering the number of agencies reporting and the variety of methods of reporting the leave.

**2007-4 INVENTORY**  
**2006-4 Division of Corrections**  
**2005-6 Partially Resolved**  
**2004-6**  
**2003-6**

An inventory policy is in place and has been communicated to all state agencies. A new inventory system is expected to be implemented at all correctional facilities. See current year finding 2008-3.

**2007-5 PREMIUM BILLING MODULE**  
**2006-5 Public Employees Insurance Agency (PEIA)**  
**2005-7 Partially Resolved**  
**2004-7**  
**2003-7**  
**2002-4**

Management has implemented a new benefits administration system in fiscal year 2008, in an attempt to address the deficiencies in the present system. Additionally, the new system should permit the proper accounting of the receivable and revenue balances between PEIA and RHBT. See related current year finding 2008-5.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-6      RETIREE HEALTH BENEFIT TRUST ALLOCATION  
DOCUMENTATION  
Public Employees' Insurance Agency  
Resolved**

Corrective action taken.

**2007-7      POSTEMPLOYMENT OBLIGATION  
Public Employees' Insurance Agency  
Partially Resolved**

Formal responsibility for the leave data warehouse has been formally appointed to the State Financial Accounting and Reporting Section (FARS). FARS, in cooperation with the WV OOT, is working to develop the appropriate policies and procedures to ensure the integrity of the data. Supporting documentation underlying the data and assumptions and utilized by the actuaries in developing their actuarial estimates are maintained. See current year finding 2008-6.

**2007-8      CAPITAL ASSETS  
2006-6      Overall State  
Partially Resolved**

Training is supplied through FARS at GAAP training each spring, Surplus Property teaches a class on capital assets at the Purchasing Conference each year. The Potential Assets report is available at the request of agencies. Management continues to encourage agencies to attend all training that is offered.

Surplus Property has enhanced the certification letter process, including follow-up requests and reports to upper management. See current year finding 2008-7.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-9      LACK OF INTERNAL CONTROLS  
Office of Miners' Health, Safety, and Training  
Resolved**

Corrective action taken.

**2007-10    ENVIRONMENTAL LIABILITIES  
Department of Environmental Protection  
Partially Resolved**

*Landfill Closure*

DEP will continue to calculate cost per acre for closure of landfills, post closure costs for each landfill, and interim costs for landfills not yet closed. Management will challenge the post closure estimates for future years by comparing current costs to the previous year's estimate. Future year estimates will then be updated accordingly.

*Oil and Gas*

Information technology management will involve fiscal services management in the process when a change to database information could impact the data utilized in the environmental liabilities estimation process.

*GASB 49*

Management is in the process of preparing for the implementation of GASB 49. See current year finding 2008-8.

STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**2007-11 FINANCIAL STATEMENT PREPARATION AND  
FINANCIAL REPORTING  
Solid Waste Management Board  
Resolved**

Corrective action taken.

**2007-12 SUPERVISION AND REVIEW OF JOURNAL ENTRIES  
Solid Waste Management Board  
Resolved**

Corrective action taken.

**2007-13 JOURNAL ENTRY REVIEW AND APPROVAL  
Parkways, Economic Development and Tourism Authority  
Resolved**

Corrective action taken.

**2007-14 CASH RECONCILIATIONS REVIEW AND APPROVAL  
Parkways, Economic Development and Tourism Authority  
Resolved**

Corrective action taken.

**2007-15 PAYROLL REVIEW AND APPROVAL  
Parkways, Economic Development and Tourism Authority  
Resolved**

Corrective action taken.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-16      CASH RECONCILIATION PROCESS**  
**Parkways, Economic Development and Tourism Authority**  
**Resolved**

Corrective action taken.

**2007-17      FRAUD RISK ASSESSMENT**  
**Parkways, Economic Development and Tourism Authority**  
**Resolved**

Corrective action taken.

**2007-18      JOURNAL ENTRY REVIEW AND APPROVAL**  
**School Building Authority**  
**Resolved**

Corrective action taken.

**2007-19      ACCOUNTS PAYABLE CUTOFF**  
**School Building Authority**  
**Resolved**

Corrective action taken.

**2007-20      SEGREGATION OF DUTIES**  
**School Building Authority**  
**Resolved**

Corrective action taken.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-21      SEGREGATION OF DUTIES – CASH RECEIPTS  
Regional Jail and Correctional Facility Authority  
Resolved**

Corrective action taken.

**2007-22      JOURNAL ENTRY REVIEW AND APPROVAL  
Consolidated Public Retirement Board  
Resolved**

Corrective action taken.

**2007-23      ACCOUNTS PAYABLE CUTOFF  
Consolidated Public Retirement Board (CPRB)  
Partially Resolved**

CPRB has procedures in place to identify those expenses incurred but not paid. The unrecorded accounts payable were in one of two categories. The majority are items that were intentionally not recorded as accounts payable because they were being reimbursed from a Legislative appropriation. The recording of these reimbursements is being changed to properly reflect the revenue on the general ledger. The second category is for disability examinations that had been ordered by plan personnel. However, accounting was not notified by plan personnel that these examinations were occurring or that an invoice was outstanding. Recent changes in plan personnel who process disability claims should help to resolve this issue in the future. See current year finding 2008-18.

**2007-24      SEGREGATION OF DUTIES – BENEFIT PAYMENTS  
Consolidated Public Retirement Board  
Resolved**

Corrective action taken.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-25      LACK OF ORGANIZATION CONTROL CONSCIOUSNESS  
Racing Commission  
Resolved**

Corrective action taken.

**2007-26      RISK ASSESSMENT  
Racing Commission  
Resolved**

Corrective action taken.

**2007-27      LACK OF SEGREGATION OF DUTIES IN FINANCIAL  
ACCOUNTING AND REPORTING  
Racing Commission  
Not Resolved**

The Commission acknowledges and accepts the auditors' report and will implement changes necessary to address this issue. See current year finding 2008-21.

**2007-28      LACK OF SEGREGATION OF DUTIES – OCCUPATIONAL  
LICENSES AND FINES  
Racing Commission  
Not Resolved**

The Commission acknowledges and accepts the auditors' report and will implement changes necessary to address this issue. See current year finding 2008-22.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-29      LACK OF SEGREGATION OF DUTIES – PARI-MUTUEL TAXES**  
**Racing Commission**  
**Not Resolved**

The Commission acknowledges and accepts the auditors' report and will implement changes necessary to address this issue. See current year finding 2008-23.

**2007-30      NONCOMPLIANCE WITH STATUTORY TRANSFERS**  
**Racing Commission**  
**Not Resolved**

The Commission acknowledges and accepts the auditors' report and will implement changes necessary to address this issue. See current year finding 2008-24.

**2007-31      UNCASHED STALE-DATED STATE CHECKS**  
**2006-8      Overall State**  
**2005-13      Partially Resolved**  
**2004-23**  
**2003-22**  
**2002-14**  
**2001-9**

The State Treasurer's Office will continue to work with FARS of the Department of Administration and the State Comptroller to address checks issued through outside bank accounts that may contain Federal funds. See current year finding 2008-30.

**2007-32      SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)**  
**2006-9      Overall State**  
**2005-14      Partially Resolved**  
**2004-72**  
**2003-71**

West Virginia's grants are handled by individual agencies and FARS relies on these agencies to submit accurate, timely

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-32**      **SCHEDULE OF EXPENDITURES OF FEDERAL**  
**2006-9**      **AWARDS (SEFA) (Continued)**

information. Annual year-end training with all agencies reemphasized the need for accuracy and timeliness. The Governor's Office also has communicated their desire for accuracy and timely completion of the SEFA. FARS will work with the problem agencies toward a resolution of this issue. In addition, FARS is also devising other methods to determine that all grants are accounted for. See current year finding 2008-31.

**2007-33**      **CASH MANAGEMENT – NONCOMPLIANCE WITH**  
**AUTHORIZED FUNDING TECHNIQUE**  
**Department of Education**  
**Resolved**

Corrective action taken.

**2007-34**      **SUBRECIPIENT MONITORING – AUDIT REPORTS**  
**Development Office**  
**Partially Resolved**

The Development Office has implemented procedures to track the status of audits of grantees on a regular basis.

**2007-35**      **INTERNAL CONTROL**  
**Workforce West Virginia**  
**Partially Resolved**

WORKFORCE West Virginia (WWV) has implemented internal controls and made significant improvements from last year to this year. However, some areas still need improvements. Management has noted these areas and has already initiated steps to insure that these internal controls are in place for future years so these errors will not occur.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-35      INTERNAL CONTROL (Continued)**

In addition, the State is in the process of procuring a new accounting system that, once in place, will eliminate these errors. See current year finding 2008-25.

**2007-36      SUBRECIPIENT MONITORING – AUDIT REPORTS  
2006-13      Workforce West Virginia  
2005-23      Partially Resolved**

WWV has maintained constant communication and tracking to ensure that the audit reports are submitted timely. One of the agencies submitted a second request to their cognizant agency requesting an additional extension; no response was forthcoming from the cognizant agency and their report was late. The second agency's audit was completed late due to a pending law suit against the CPA firm that completed their audits for the prior four years. Thus, their report was late as well. WWV will continue to strive to ensure that all subrecipients subject to OMB Circular A-133 requirements have required audits completed and submitted to the clearinghouse in a timely manner. In addition, WWV will strive to ensure that all required statements are listed within the audit reports according to the checklist required by A-133. If statements are missing, the grantee will be notified in writing of the error. See current year finding 2008-35.

**2007-37      SUBRECIPIENT MONITORING – ON-SITE  
2006-14      MONITORING  
2005-24      Workforce West Virginia  
                 Partially Resolved**

Management has developed a more comprehensive oversight program to monitor the subrecipient activities. In addition, policies and procedures to ensure onsite monitoring have been implemented. See current year finding 2008-36.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-38      FINANCIAL ERRORS AND FUNDING DEFICITS**  
**2006-15      Workforce West Virginia**  
**Resolved**

Corrective action taken.

**2007-39      INFORMATION SYSTEM CONTROLS**  
**2006-22      Department of Transportation (DOT)**  
**2005-32      Partially Resolved**  
**2004-16**  
**2003-16**  
**2002-7**  
**2001-6**

The Office of Technology (OT) Information Security Unit is in the process of finalizing policies and/procedures that will provide detailed guidance on vulnerability assessments and intrusion testing for both the OT and their customer agencies. Assessment options will include Self Assessments (conducted by the customer), Internal Assessments (conducted by OT) and External Assessments (conducted through contracted services). If a vulnerability assessment is not conducted as a part of the annual audit, or if one is conducted but does not cover all the areas of concern, the DOT will utilize the ITECH07 to obtain services of an external organization to conduct an external audit during the first quarter of FY 09. Going forward, DOT and OT will work jointly to incorporate Self Assessments as standard operating procedures in deployment of all new systems. The OT Information Security Unit will conduct internal audits on a regularly scheduled basis. The OT Information Security Unit will make recommendations for an appropriate interval on external audits and will facilitate those audits. DOT will review recommended policies and procedures for vulnerability assessments and intrusion testing upon finalization by the OT. DOT will either adopt the policies and procedures as presented or will modify to a more stringent level and adopt.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-39      INFORMATION SYSTEM CONTROLS (Continued)**

The DOT IT staff currently does not have access to DOT production maintenance systems. This access was removed approximately 2 years ago with an audit finding from Wolf and Company, Boston, MA. The IT staff does have access to all DOT inquiry systems. DOT is currently drafting for inclusion into our Internal Operating Procedures, controls over development, testing, compiling, and moving of programs to the production environment. With the low staffing level and inability to recruit programmer analysts, a true segregated access environment is difficult to accomplish. Additionally the following response was prepared by OT: Relating to Microsoft Networking level access, OT has worked with the DOT Programming group to better define and detail rights and permissions related to application installation and support. The OT has migrated DOT employees from legacy DOT Microsoft Domain to the Statewide Executive Domain. Since the initiation of the migration, the OT Account Management and Active Directory sections have administered the provisioning of these accounts on the Executive Domain. These sections work directly with the associated programming groups to document and maintain the roles, responsibilities and assigned permissions. This is done in accordance with the OT Policy for User Access which is still in draft form. DOT is currently drafting for inclusion into our Internal Operating Procedures, controls over development, testing, compiling, and moving of programs to the production environment.

DOT has worked to strengthen the controls over terminated employees being removed timely from computer related applications. DOT has agreed to help fund the Office of Technology's new ERP system and believes that would be the ultimate answer to this finding. The OT utilizes the same Policy for User Access to handle the notification of user termination for access to the Microsoft Network.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2007-39      INFORMATION SYSTEM CONTROLS (Continued)**

As a part of the ongoing consolidation, the OT has been working with the DOT designated Approval Authorities to educate them in the persistent use of the established procedures. The OT Active Directory Section runs a report monthly that identifies 'stale' accounts which are User and/or machine accounts that have not been used in the past 30 days. The Active Directory Section then contacts the Designated Approval Authority(ies) to verify the integrity of the account, and determine whether or not the account should be removed. The OT provides for the provisioning of accounts on the Microsoft Domain and is for Domain resource access only. The appropriate DOT Programming staff is responsible for provisioning access within their internal applications and/or databases. See current year finding 2008-38.

**2007-40      LAND AND LEASES  
2006-21      Department of Transportation  
2005-31      Partially Resolved**

The Right of Way Division (Division) has developed an internal system to track the additions and disposals related to land and land improvements. The Division is planning to update some computers and printers within our Division so employees can better utilize the system. The Division has initiated a policy that the Finance Division will be notified separately to have any deletions or additions made to the general ledger when transactions occur as well as notifying accounts receivable. On the topic of the auction, the Division received the proper coding and procedures for these types of sales from the Federal Highway Administration and this problem should not occur in the future. Due to several retirements of District personnel the Division has new agents handling property management who are being trained in the correct procedures for processing and accounting for land and leases. The Division feels this will increase proper record keeping and controls.

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**2007-41 NOTICE TO PROCEED UTILITY DELAYS**  
**Department of Transportation**  
**Division of Highways**  
**Resolved**

Corrective action taken.

**2007-42 PAYROLL AUTHORIZATION PROCEDURES**  
**Department of Transportation**  
**Division of Highways**  
**Partially Resolved**

A memo from the Commissioner will be distributed to all DOH reiterating the approval process and the need for compliance. See current year finding 2008-39.

**2007-43 NONCOMPLIANCE WITH AUTHORIZED**  
**2006-18 FUNDING TECHNIQUES**  
**2005-27 Department of Transportation**  
**2004-36 Partially Resolved**

The Cash Management Division has submitted a funding technique to Federal Management Services for their approval. See current year finding 2008-43.

**2007-44 SUBRECIPIENT MONITORING – POLICES AND**  
**2006-23 PROCEDURES**  
**2005-33 Department of Transportation**  
**Partially Resolved**

DOT does have a plan in place, although not titled a plan; a document is in place and has been for several years titled "Monitoring Federal Grants, Current Procedures/Practices in Place". Among the many procedures for monitoring the grants,

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**2007-44**      **SUBRECIPIENT MONITORING – POLICES AND**  
**2006-23**      **PROCEDURES (Continued)**

are that each invoice and expenditures is reviewed and approved by the DOT project manager prior to payment of the invoice. The plan/procedures are being updated to include desk reviews of the A-133 audits. See current year finding 2008-42.

**2007-45**      **SPECIAL TESTS AND PROVISIONS – LOAN**  
**REPAYMENTS AND STUDENT DEFERMENTS**  
**Bluefield State College**  
**Partially Resolved**

The Financial Aid Office has made two changes related to exit and entrance Direct Loan interviews. First, the exit interview form was changed to include the date it was processed. Secondly, the filing system for entrance interviews was consolidated to a central location. See current year finding 2008-45.

**2007-46**      **REPORTING**  
**2006-27**      **West Liberty State College**  
**Resolved**

Corrective action taken.

**2007-47**      **REPORTING**  
**West Virginia University Institute of Technology**  
**Resolved**

Corrective action taken.

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**2007-48      SUBRECIPIENT CASH MANAGEMENT**

**2006-33      Department of Education**

**2005-37      Partially Resolved**

**2004-41**

**2003-46**

**2002-50**

The Executive Director of Internal Operations and the Executive Director of Technology have developed a module, using WVEIS, which enables the Office of Internal Operations to have access to amounts of cash remaining from various grant awards to subrecipients. The module was tested during the past year and was fully implemented in April 2008. Subrecipients with excess cash balances will be denied access to additional draws of cash. Management will ensure that subrecipients calculate and remit interest to the federal government, if applicable, through continued training and instruction. See current year finding 2008-49.

**2007-49      SUBRECIPIENT MONITORING**

**Department of Education**

**Partially Resolved**

DOE is currently maintaining a tracking log listing audits that are required of subrecipients. In order to assure audits are received by the required submission date, a tickler file will be developed and follow-up will be initiated to request audits prior to the date they are due. A statement will be added to the follow-up correspondence to request documentation from the agency to support that an auditor has been selected and the audit has been scheduled in sufficient time for completion and submission of the final audit report by the due date. Subrecipients who fail to submit audit reports will have future funding withheld until the audit is received. See current year finding 2008-50.

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**2007-50**      **ALLOWABLE COSTS – ALLOCATIONS OF**  
**2006-34**      **EMPLOYEE TIME**  
Secretary of State  
Resolved

Corrective action taken.

**2007-51**      **MATCHING REQUIREMENTS**  
Department of Health and Human Resources (DHHR)  
Partially Resolved

DHHR's Bureau for Public Health will develop policies and procedures to ensure that providers maintain supporting documentation of all in-kind contributions to satisfy the requirements of the OMB Circular A-102. The Bureau for Public Health will also develop and implement testing of the provider in-kind contributions to ascertain that the match is in accordance with the appropriate Federal regulations. See current year finding 2008-51.

**2007-52**      **SUBRECIPIENT MONITORING**  
**2006-35**      **Department of Health and Human Resources**  
**2005-42**      **Partially Resolved**  
**2004-48**  
**2003-51**

DHHR Policy 3801 is continually reviewed and streamlined, and changes are generally implemented at the start of a new fiscal year. See current year finding 2008-52.

**2007-53**      **SUBRECIPIENT CASH MANAGEMENT**  
Department of Health and Human Resources  
Partially Resolved

DHHR has procedures in place to monitor subrecipient cash management in DHHR Policy 3801, *Award and Monitoring of*

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**2007-53 SUBRECIPIENT CASH MANAGEMENT (Continued)**

*Subrecipient Grants*, which became effective for DHHR grant awards and related agreements beginning July 1, 2007. As stated in the Policy, if a DHHR spending unit issues advance payments to a subrecipient, the spending unit is to ensure the subrecipient understands their responsibilities under the Cash Management and Improvement Act. Subrecipients are required to submit reports reconciling payments received and actual expenditures incurred consistent with the schedule (or timing) of payments. These expenditure reports are reviewed before invoices are approved and invoiced amounts may be changed if expenditures are not meeting projections in order to prevent the subrecipient from accumulating excess cash. If a desk review or other monitoring procedures reveals that the subrecipient has not complied with their responsibilities for cash management, the Spending Unit is advised to potentially convert the subrecipient's payment methodology to a reimbursement basis and proceed with any measures necessary for corrective action. Additionally, Policy 3801 includes a checklist questionnaire that addresses the monitoring of cash management which cites the federal regulations. However, DHHR will review policies and procedures and look for ways to better address monitoring of subrecipients' cash on hand to ensure the potential for a grantee to earn interest is minimized. See current year finding 2008-53

- 2007-54 INFORMATION SYSTEM CONTROLS**
- 2006-37 Department of Health and Human Resources**
- 2005-44 Partially Resolved**
- 2005-60**
- 2004-50**
- 2003-63**
- 2002-61**

DHHR continues to look at department-wide security efforts as a whole. Some changes have been made to processes regarding

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**2007-54      INFORMATION SYSTEM CONTROLS (Continued)**

each of the systems individually to deal with security efforts and DHHR's intent is for an outside entity to perform an external review of DHHR's internal systems.

DHHR will also develop policies and procedures to comply with the A-133 Compliance Supplement related to the performance of periodic risk assessments and biennial security reviews of the RAPIDS and FACTS systems.

Specifically regarding password recommendations, DHHR has tested enhanced password implementation on the Unit Test UNIX server. This requires the users to utilize a password at least six characters in length, a mix of upper case, lower case, numbers, and special characters and to modify these passwords every 60 days. If the users miss the logon four consecutive times the system will lock/disable the account.

DHHR has tested enhanced password implementation in the Oracle Database in Unit Test. This requires the users to utilize a password at least six characters in length, a mix of alphanumeric characters, numbers and special characters. Note: the character mix is enforced by the application. Every password is checked against a password file that restricts the password for common words and combinations. In addition the password is restricted from utilizing the user id as part of the password. The new password must differ from the old password by at least three characters. Users are also prevented from reuse for ten times. The password is required by the database to be reset at least every 40 days. All of this is enforced by an Oracle profile.

FACTS' access process for periodic reviews of user access rights and securities has changed. A report is being sent to each DHHR Bureau of Children and Families (BCF) District Office, DHHR

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**2007-54      INFORMATION SYSTEM CONTROLS (Continued)**

Regional Office, DHHR BCF State Office, DHHR Investigations Fraud Management (IFM) Office, and BCF Child Care Resource and Referral (R&R) Office. The report identifies each active user account and the securities assigned to each user. Accompanying the report will be an explanation of each security level, a verification form that requires signature related to each user's account, instructions for each user review, and a copy of the DHHR Network Delete Form.

Management will review and enhance the policies and procedures to ensure that appropriate measures are being taken to follow up on the application level and other IT dependent controls. Additionally, documentation will be made of the follow up procedures as performed. See current year finding 2008-55.

**2007-55      ELIGIBILITY  
2006-38      Department of Health and Human Resources  
2005-45      Partially Resolved**

**2004-52  
2003-55  
2002-56**

Although, DHHR has procedures in place to mitigate some of the issues, this finding cannot be resolved until the US Department of Health and Human Services develops a method for tracking TANF recipients nationwide. See current year finding 2008-54.

**2007-56      SUBRECIPIENT MONITORING – POLICIES  
2006-39      AND PROCEDURES  
2005-47      Department of Health and Human Resources  
2004-53      Resolved**

**2003-58**

Corrective action taken.

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**2007-57**      **FEDERAL EFFICIENCY STANDARDS**  
**2006-40**      **Department of Health and Human Resources**  
**2005-48**      **Partially Resolved**  
**2004-54**  
**2003-59**

Although efforts continue to resolve issues that are found in the Self-Assessment Report, there will be other issues as the intent of the Self-Assessment Report is to encourage critical evaluation to identify opportunities for program improvement. See current year finding 2008-57.

**2007-58**      **FEDERAL REPORTING – DATA RELIABILITY REPORT**  
**Department of Health and Human Resources**  
**Partially Resolved**

The findings made by the federal Office of Child Support Enforcement (OCSE) Audit Division in the fiscal year 2006, Data Reliability Audit (DRA) are intended for internal management purposes. OCSE is in the process of gathering information about the status of medical support and insurance obligations in IV–D cases. Inclusion of a review of certain information relating to medical support obligations and their enforcement is one component of OCSE’s review of IV–D programs for this purpose. This review was first implemented by OCSE beginning with the 2006 DRA. Prior to that, IV–D programs had little specific direction as to what would be considered as an acceptable outcome and what constituted reliable data and how that information should be documented. The OCSE’s process to develop information is expected to continue over the next several years through several mechanisms including the annual DRA of each IV–D program. The OCSE will eventually develop regulations that clarify expectations and requirements regarding this set of IV–D activities. During this period, the IV–D programs will be refining their understanding of medical

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**2007-58      FEDERAL REPORTING – DATA RELIABILITY REPORT  
(Continued)**

support and developing the policy, training, automated processes, forms, etc. that will enable them to have reliable data and effective program outcomes should medical support become subject to a compulsory standard. Medical support is not currently a required performance standard for the Title IV–D program to which either penalties or incentive funds are attached for either the performance level or the quality of the data. The other five standards governing the IV–D program, evaluated in the annual Data Reliability Audit, are specified in federal statutory law. The statute includes detailed provisions as to the consequences for IV–D programs which fail to achieve a minimum level of performance or which are unable to report data in a reliable manner. The DRA audit on these five standards determines whether the Department/Bureau is penalized and also determines the level of additional incentive funds for which the State is eligible. The Bureau passed the Data Reliability Audit for 2006 on each of the five mandatory standards. However, the findings in the Data Reliability Audit regarding medical support are related to DHHR’s ongoing efforts to achieve an acceptable level of compliance in case processing on medical support. Medical support is receiving the greatest level of scrutiny in the Bureau’s Self-Assessment process for 2007 as the agency seeks to identify barriers to effective compliance as well as the issues that are impacting both performance outcomes and the reliability of the system data on medical support. DHHR seeks to improve the effectiveness of work in this area of case processing and will undertake the necessary action to get the related data correct and consistent. See current year finding 2008-58.

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**2007-59      ALLOWABILITY AND ELIGIBILITY**  
**2006-43      Department of Health and Human Resources**  
**2005-50      Partially Resolved**

DHHR's Bureau for Children and Families (BCF) will continue efforts to locate all missing documentation. During the past year the LIHEAP federal program staff performed a review of the LIHEAP program operated by BCF. As noted in a letter submitted by BCF on January 22, 2008, to Ms. Josephine Robinson, Administration for Children and Families Director of Community Services. As part of our response to issue 1, the BCF Office of Planning and Quality Improvement will be including the LIHEAP program in their review of local office operations. The inclusion of the LIHEAP program in these reviews will serve as a monitoring tool to help ensure that local office staff are obtaining and filing the necessary documentation to support the expenditure of LIHEAP funds. One district office reported losing some of their LIHEAP Applications and payment documentation. Corrective action plans will be developed, implemented and monitored under the auspice of the Office of the Deputy Commissioner to ensure that policy and practice are followed to maintain accurate records of applications and supporting documentation as justification for the expenditure of federal LIHEAP funds. The status of any corrective action plans will be provided as part of the ongoing progress updates each month for single audit findings.

Central Office LIHEAP Policy staff is responsible for maintaining the original Fuel Supplier Agreements. No Central Register has been maintained on the complete listing of all LIHEAP Vendors to date. Central office staff will contact all District Offices to provide our staff with a list of Vendors on file at the District Level. Central office policy staff will develop a

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**2007-59      ALLOWABILITY AND ELIGIBILITY (Continued)**

central register of all statewide LIHEAP Vendors and work to keep all Agreements in a file to be completed during fiscal year 2008.

BCF Policy and BCF training staff are continually evaluating new and tenured worker training to provide additional and enhanced training for all federal programs including LIHEAP. See current year finding 2008-59.

**2007-60      PERIOD OF AVAILABILITY  
Department of Health and Human Resources  
Partially Resolved**

DHHR's Bureau for Children and Families (BCF) will continue efforts to locate all missing documentation. The BCF Office of Planning and Quality Improvement will be including the LIHEAP program in their review of local office operations. The inclusion of the LIHEAP program in these reviews will serve as a monitoring tool to help ensure that local office staff are obtaining and filing the necessary documentation to support the expenditure of LIHEAP funds.

If needed, corrective action plans will be developed, implemented, and monitored under the auspice of the Office of the Deputy Commissioner to ensure that policy and practice are followed to maintain accurate records of applications and supporting documentation as justification for the expenditure of federal LIHEAP funds in the correct federal fiscal year. The status of any corrective action plans will be provided as part of the ongoing progress updates each month for single audit findings.

BCF Policy and BCF training staff are continually evaluating new and tenured worker training to provide additional and enhanced training for all federal programs including LIHEAP.

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**2007-61      SUBRECIPIENT MONITORING  
Governor's Office of Economic Opportunity (GOEO)  
Partially Resolved**

GOEO has placed into operation a system that provides a schedule of when the subrecipient independent audit reports are due, when to notify these organizations that their audit due dates are approaching, when they are expected to submit their audits to GOEO, and when these audits are received and classified as completed with the Federal Clearinghouse.

One of the agencies underwent some dramatic managerial changes in 2008. The senior leadership of the organization (CEO and CFO) resigned amid serious problems with the internal accounting records. Bank and account reconciliations had not been completed for an extended period of time. This left the Board of Directors and interim agency management team without a clear picture of the financial activities or position of the organization. GOEO has had a large presence working with the agency to correct problems and insure proper internal controls are in place. The organization has hired a new CEO and is currently searching for a CFO to handle the day to day financial activities. The completion of the audit was delayed because of these problems. GOEO received the audit in January and is taking the necessary steps to insure the identified findings are resolved. See current year finding 2008-60.

**2007-62      DISASTER RECOVERY PLAN  
2006-45      Department of Health and Human Resources  
Not Resolved**

All of the solutions to this problem demand additional funding and will be long-term projects for DHHR to pursue. See current year finding 2008-61.

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**2007-63      SUBRECIPIENT CASH MANAGEMENT  
Department of Health and Human Resources  
Partially Resolved**

DHHR has some procedures in place to monitor subrecipient cash management. Subrecipients are required to submit quarterly, and in some cases monthly, expenditure reports. These expenditure reports are reviewed before invoices are approved and invoiced amounts may be changed if expenditures are not meeting projections in order to prevent the subrecipient from accumulating excess cash. Additionally, Policy 3801 includes a checklist questionnaire that addresses the monitoring of cash management which cites the federal regulations. However, DHHR will review policies and procedures and look for ways to better address monitoring of subrecipients' cash on hand to ensure the potential for a grantee to earn interest is minimized. See current year finding 2008-62.

**2007-64      ELIGIBILITY REDETERMINATIONS  
2006-47      Department of Health and Human Resources  
2005-53      Partially Resolved  
2004-61**

Although DHHR implemented ways to mitigate this issue, problems inherent with the funding process continue to exist. The federal oversight agency recognizes this. See current year finding 2008-63.

**2007-65      REPORTING  
Department of Health and Human Resources  
Resolved**

Corrective action taken.

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**2007-66      ELIGIBILITY DOCUMENTATION**  
**2006-49      Department of Health and Human Resources**  
**2005-55      Partially Resolved**

DHHR has implemented a checklist for staff to use to ensure that necessary forms and signatures have been obtained. When adoption records are forwarded to the State office, the file is reviewed to be sure all information is included. DHHR will stress to the staff the importance of ensuring that all documents are included in the case file and that all forms are signed and dated. DHHR staff is unable to correct deficiencies in case files that had been completed before the implementation of the new procedures. See current year finding 2008-64.

**2007-67      ELIGIBILITY DOCUMENTATION**  
**2006-50      Children's Health Insurance Program (CHIP)**  
**Partially Resolved**

DHHR's BCF will continue efforts to locate all missing documentation. Under the auspice of the Deputy Commissioner, BCF will continue to monitor and evaluate the record documentation for all federal programs in our local offices. If necessary, corrective action plans will be developed and implemented to ensure that proper supporting documentation is retained in client CHIP eligibility case files.

Policy staff and training staff are continually evaluating the new and tenured worker training to modify and enhance training to address the ongoing needs as identified either through our own internal review process or as a result of federal reviews or single audit findings.

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**2007-68      DUPLICATE PAYMENT**  
**2006-56      Department of Health and Human Resources**  
**State Children's Insurance Program**  
**Partially Resolved**

Earlier this year the SCHIP agency began corrective action by contracting with Health Management Systems (HMS), the same contractor used by the Medicaid agency for third-party recovery. HMS conducts monthly electronic data matches of SCHIP enrollees against other insurance data bases. HMS will perform data matches of SCHIP enrollees against Medicaid eligibility files. This should reveal any cases in which a child is incorrectly eligible for both SCHIP and Medicaid for the same time period. Such cases will be referred to the respective local eligibility office for immediate action and correction. This should prevent the possibility of duplicate payments being made. See current year finding 2008-65.

**2007-69      ALLOWABLE COSTS**  
**2006-52      Department of Health and Human Resources**  
**2005-57      Not Resolved**

DHHR is awaiting the audit report from the US Department of Health and Human Services' Office of the Inspector General to address the results of the reviews. Until guidance is received from Centers for Medicaid/Medicare Medical Services (CMS), no further action can be taken. See current year finding 2008-67.

**2007-70      PRESCRIPTION DRUG OVERPAYMENT**  
**DISALLOWANCE**  
**Department of Health and Human Resources**  
**Partially Resolved**

Pursuant to 45 CFR Part 16, the State appealed the disallowances to the Federal Departmental Appeals Board.

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**2007-70      PRESCRIPTION DRUG OVERPAYMENT  
DISALLOWANCE (Continued)**

Pursuant to provisions of Section 1903(d)(5) of the Act, the State has elected to retain the amounts previously paid pending final administrative decision.

**2007-71      ACCOUNTS RECEIVABLE  
2006-54      Department of Health and Human Resources  
2005-59      Resolved**

Corrective action taken.

**2007-72      QUALITY CONTROL – ERROR RATE  
2006-57      Department of Health and Human Resources  
Partially Resolved**

DHHR's BCF is currently providing eligibility training for BCF workers as well as supervisory reviews on a sample of Medicaid cases. DHHR has also been performing Payment Error Rate Measurement (PERM) reviews of Medicaid and Children's Health Insurance Program (CHIP) cases. DHHR expects the training, supervisory, and PERM reviews to be successful, but validation as to success won't occur until the error rate is calculated again. See current year finding 2008-66.

**2007-73      ALLOWABILITY AND ELIGIBILITY DOCUMENTATION  
Department of Health and Human Resources  
Partially Resolved**

DHHR's BCF will continue efforts to locate all missing documentation. The maintenance of completed and signed documentation is essential to all DHHR programs and this process must be improved. The reinforcement of this process needs to become a priority training issue. These issues will be

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**2007-73 ALLOWABILITY AND ELIGIBILITY DOCUMENTATION  
(Continued)**

addressed under the auspice of the Office of the Deputy Commissioner with the individual offices that were unable to produce the case files requested. Additional training and/or corrective action plans will be developed and implemented as needed.

**2007-74 DAVIS BACON – CERTIFIED PAYROLLS  
Shepherd University  
Resolved**

Corrective action taken.

**2007-75 DAVIS BACON – CONTRACT PROVISIONS  
Shepherd University  
Resolved**

Corrective action taken.

**2007-76 GRANT ADMINISTRATION  
2006-58 Division of Homeland Security  
Resolved**

Corrective action taken.

**2007-77 EARMARKING AND REPORTING  
2006-61 Division of Homeland Security  
2005-66 Resolved**

Corrective action taken.

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**2007-78      FEDERAL REPORTING**  
**2006-62      Division of Homeland Security**  
**2005-68      Partially Resolved**

All new awards (Federal 2006 and future) to the Military Affairs and Public Safety (MAPS) State Administrative Agency are managed on a grants module, which should eliminate any differences in the future.

**2007-79      INVENTORY/EQUIPMENT SECURITY**  
**2006-63      Division of Homeland Security**  
**2005-69      Resolved**

Corrective action taken.

**2007-80      FEDERAL REPORTING**  
**2006-64      Division of Homeland Security**  
**Resolved**

Corrective action taken.

**2007-81      SUBRECIPIENT MONITORING**  
**2006-66      Division of Homeland Security**  
**2005-73      Partially Resolved**  
**2004-70, 71**  
**2003-39, 40**  
**2002-44, 45**

The position of Administration Manager is still not filled. The Division of Homeland Security Director is still pursuing getting permission to hire at this time. The Administration section does check for Single Audits using the State Auditor's website, as well as requiring a copy to be submitted with the appropriate grant applications. See current year finding 2008-69.

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**2007-82**      **OBLIGATING FUNDS**  
**2006-59**      **Division of Homeland Security**  
**Partially Resolved**

The State Administrative Agency (SAA) is cognizant of the 60-day obligation deadline and is working to ensure new awards to the SAA (Federal 2007 and future) are managed in order to ensure this is accomplished. See current year finding 2008-70.

**2006-7**      **TIMELY RECORD-KEEPING AND REPORTING**  
**Offices of the Insurance Commissioner (OIC)**  
**Partially Resolved**

Most issues have been corrected except for the issue dealing with the need for the OIC to purchase new general ledger software programs that will adequately deal with appropriate accounting information and related controls. The OIC has developed spreadsheet programs for general ledger accounting and had investigated various general ledger software programs in order to identify one that would best suit OIC needs.

**2006-11**      **INFORMATION SYSTEMS CONTROLS**  
**Workforce West Virginia**  
**Resolved**

Corrective action taken.

**2006-32**      **SUBRECIPIENT MONITORING**  
**Department of Education**  
**Resolved**

Corrective action taken.

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**2006-46**      **ALLOWABILITY AND ELIGIBILITY**  
**2005-52**      **Department of Health and Human Resources**  
**2004-60**      **Partially Resolved**  
**2003-65**  
**2002-67**

DHHR's BCF management instituted a review process in which a report is generated by FACTS on the first of each month. This report shows all of the automatic payments that have not been reviewed/approved that will be made on the fifth working day. The worker whose responsibility it is to review/approve the automatic payments has access to this report and has until the fourth working day to submit any updates or changes to the placement before the automatic payment is issued. After the automatic payment is made, the report is run again and sent to the Regional Directors for review. These directors use this report to determine which workers are reminded of DHHR policy concerning these payments. This report has greatly decreased in size.

**2006-51**      **EXPRESS SCRIPTS, INC. PRESCRIPTION CLAIMS**  
**2005-56**      **PROCESSING**  
**Children's Health Insurance Program (CHIP)**  
**Partially Resolved**

CHIP contracted with Health Data Management, Inc. to reprocess pharmacy claims as per CHIP benefit and enrollment. The contract started in October 2007. Also, the program has a new Nurse III that started in August 2008. The Nurse III will perform desk audits of pharmacy claims weekly.

**2006-55**      **LEGISLATIVE AUDIT REVIEW**  
**Department of Health and Human Resources**  
**Resolved**

Corrective action taken.

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**2005-8**            **P-CARD PURCHASES**  
**2004-8**            **Overall State**  
                      **Partially Resolved**

In November 2007, the West Virginia State Auditor's Office (SAO) began a reassessment of the P-Card program internal controls at the spending units. The head of each agency is responsible for establishing internal controls over the financial operations of his or her spending unit and the SAO holds the Chief Financial Officer accountable for maintaining appropriate accounting and internal control procedures over the agency's purchasing card program. The SAO found there has been quite a bit of confusion over internal control requirements and exactly how to design and implement these controls at the agency level. As a result, the SAO P-Card Audit staff briefly suspended the post-audit reviews and compliance inspections of state agency programs in order to develop a purchasing card internal controls workshop. The workshop was created to ensure agencies were aware of their responsibilities and to assist spending units in designing, evaluating, and documenting their internal controls. As part of the aforementioned reassessment, the SAO P-Card Audit process was also revised over the last year to focus more on addressing the causes of control deficiencies. The SAO will continue to perform post-audit reviews and compliance inspections on a random basis. Audit findings will be compiled and analyzed to determine if the issues are isolated or need to be addressed statewide (such as the deficiencies noted in the performance of the review/reconciliation of agency P-Card statements). The State Auditor's Office Purchasing Card Division will also continue to conduct training, as needed, to assist spending units in implementing appropriate internal controls. The SAO maintains a good working relationship with the Commission on Special Investigations, the State Purchasing Division and the Legislative Auditor's Office to stay informed of audit issues and investigations currently underway.

**STATE OF WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**2005-54**      **SUBRECIPIENT MONITORING**  
**2004-63**      **Department of Health and Human Resources**  
**Resolved**

Corrective action taken.

**2004-14**      **SURPLUS PROPERTY PROGRAM**  
**Overall State**  
**Resolved**

Corrective action taken.