

# STATE OF WEST VIRGINIA

## AUDIT REPORT

OF

**WEST VIRGINIA UNIVERSITY  
STUDENT HOUSING FUND**

**FOR THE PERIOD**

**JULY 1, 1997 - JUNE 30, 2000**



**OFFICE OF THE LEGISLATIVE AUDITOR**

**CAPITOL BUILDING**

**CHARLESTON, WEST VIRGINIA 25305-0610**

**WEST VIRGINIA UNIVERSITY**  
**STUDENT HOUSING FUND**  
**FOR THE PERIOD**  
**JULY 1, 1997 - JUNE 30, 2000**

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

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CHARLESTON, WEST VIRGINIA 25305-0610

To the Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the Student Housing Fund of West Virginia University.

Our examination covers the period July 1, 1997 through June 30, 2000. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

  
Theford L. Shanklin, CPA, Director  
Legislative Post Audit Division

TLS/ela

**WEST VIRGINIA UNIVERSITY**

**STUDENT HOUSING FUND**

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**WEST VIRGINIA UNIVERSITY**

**STUDENT HOUSING FUND**

**EXIT CONFERENCE**

We held an exit conference on September 13, 2001 with the Vice President for Administration, Finance and Human Resources; Interim Associate Vice President for Finance and other representatives of West Virginia University and all findings and recommendations were reviewed and discussed. The University's responses are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our findings in the General Remarks section of this report.

# **WEST VIRGINIA UNIVERSITY**

## **STUDENT HOUSING FUND**

### **INTRODUCTION**

Established in 1867, West Virginia University is the state's major research, doctoral degree-granting, land-grant institution. WVU provides high quality programs of instruction, offering 166 degree programs at the undergraduate, graduate, and first-professional levels, including the state's only law school; fosters basic and applied research and scholarship; and engages in and encourages other creative and artistic work. A wide range of health science programs are taught at WVU's Robert C. Byrd Health Sciences Center through schools of medicine, dentistry, nursing, and pharmacy, including allied health programs and graduate programs in basic health sciences.

WVU combines the breadth of academic opportunities offered by a major research institution with the atmosphere of a small school; the undergraduate student/faculty ratio is 17:1. Enrollment in one of the University's 13 colleges and schools offers students the warmth and friendliness of a small academic community. The University encourages diversity and promotes social justice in all of its activities.

The Downtown Campus is linked to the Evansdale Campus and the Robert C. Byrd Health Sciences Center by the Personal Rapid Transit (PRT) system, which uses automated, electric-powered cars that operate on a concrete and steel guide way and permits quick and easy access to major locations within the University and downtown Morgantown.

The diversity of WVU's student body is apparent in the fall 1999 enrollment of 22,238 students, as all 55 counties of West Virginia, 48 of 50 states, and 96 other countries are represented. WVU has had 25 Rhodes Scholars, 13 Truman Scholars, 17 Goldwater Scholars, and one British Marshall Scholar.

WVU is one of only 43 public universities that serve their states as research and land-grant institutions. The term "land grant" derives from the Congressional act of 1862 that gave federally-owned land to each state, to be sold for funds to begin colleges offering programs in agriculture and engineering. Since its founding in 1867, WVU has developed into the center of graduate and professional education, research, and extension programs in West Virginia. Coal and energy are a major focus of University research because of WVU's location in the eastern coal fields.

WVU campuses combine traditional and modern architectural styles, and eleven campus buildings are listed on the National Register of Historic Places. Many of these original buildings, including Stalnaker Hall, have been restored and renovated.

Current library holdings include 1.4 million volumes; 2.2 million microforms; 7,453 subscriptions; 20,482 linear feet of archival materials (in excess of 5,000,000 items); 38,670 audiovisuals; and various electronic databases. All libraries are automated with the NOTIS system.

WVU programs and services are accessibly located throughout West Virginia. Regional campuses include West Virginia University at Parkersburg, Potomac State College of West Virginia University, and West Virginia University Institute of Technology. WVU operates the Charleston Division of the Robert C. Byrd Health Sciences Center and the Wheeling Division of the School of Medicine. In addition, there are six extended learning regional centers at Charleston, Clarksburg, WVU-Parkersburg, Potomac State College, Shepherd College, and West Liberty State College.

West Virginia University operates eight experimental farms in Hardy, Jefferson, Monongalia, Monroe, and Preston counties; five experimental forests in Monongalia, Preston, Randolph, and Wetzel counties; a geology camp in Greenbrier County; and the state 4-H Camp and a museum of mid-nineteenth century life at Jackson's Mill.

**WEST VIRGINIA UNIVERSITY**  
**STUDENT HOUSING FUND**  
**ADMINISTRATIVE OFFICERS AND STAFF**

**JUNE 30, 2000**

Dr. David C. Hardesty, Jr. .... President

Dr. Scott C. Kelley ..... Vice President for Administration  
Finance and Human Resources

Kenneth D. Gray, J.D. .... Vice President for Student Affairs

Terry R. Ondreyka ..... Associate Vice President for Finance

Amir Mohammadi ..... Associate Vice President for Student Affairs  
Administration, Finance and Technology

Janice Hriblan ..... Assistant to the Associate Vice President for Student  
Affairs Administration, Finance and Technology

Colleen Forst ..... Coordinator, Student Affairs Business Office (SABO)

Lisa Mitchell ..... Director of Research, Tax and Payroll Accounting

Jeri M. Ireland ..... Director of Business Services

Cindy Marn ..... Manager of Payment Services

Ed Ames ..... Chief Procurement Officer

William R. Quigley, CPA ..... Director of Internal Audit Office

**WEST VIRGINIA UNIVERSITY**

**STUDENT HOUSING FUND**

**SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES**

**Lack of Effective System of Internal Controls**

1. During the course of our examination, it became apparent to us, based on the observed noncompliance with the West Virginia Code, West Virginia University (WVU) did not have an effective system of internal controls in place over the Student Housing Fund to ensure compliance with applicable State laws, rules and regulations. We believe an effective system of internal controls would have alerted management to these violations at an earlier date and allowed more timely corrective action.

**Auditors' Recommendation**

We recommend WVU comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended and establish a system of internal controls.

**University's Response**

No response by West Virginia University. (See pages 11 - 15)

**Overhead Assessment and Expenditures  
from Student Housing Fund**

2. WVU assessed the Student Housing Fund a total of \$2,411,944.43 in service charge assessments during the period July 1, 1998 - June 30, 2001. Also, WVU paid \$1,894,231.80 in May 1999 for the entire University's purchasing card bill from the Student Housing Fund and, subsequently reimbursed the account. In addition, WVU borrowed \$9,688,407.48 from the Student Housing Fund in June 2000 to temporarily fund the payroll costs of other WVU accounts. Lastly, WVU paid a total of \$984,748.73 in

utility bills that benefitted other departments of the University in addition to student housing facilities from the Student Housing Fund.

**Auditors' Recommendation**

We recommend WVU comply with Chapter 18B, Article 10, Section 13 and Chapter 18B, Article 5, Section 2a of the West Virginia Code. We also recommend WVU comply with the bond covenants governing the State of West Virginia, University System of West Virginia Board of Trustees - Dormitory Refunding Revenue Bonds (West Virginia University Project) 1997 Series A and the Dormitory Revenue Bonds (West Virginia University Project) Series 1997 Series B.

**University's Response**

*West Virginia University believes it is in compliance with Chapter 18B, Article 10, Section 13 and Chapter 18B, Article 5, Section 2a of the West Virginia Code. West Virginia University also believes that it is in compliance with the bond covenants governing the Dormitory Bonds. (See pages 15 - 25)*

**Building Expenditures**

3. WVU paid for \$75, 349.62 for remodeling repairs for two food service operations which are part of dining services, we believe the remodeling expenditures should have been paid from the Student Union Fund (4149).

**Auditors' Recommendation**

We recommend WVU comply with Chapter 18B, Article 10, Section 13 of the West Virginia Code. We also recommend the Student Union Fund (4149) reimburse the Student Housing Fund (4148) a total of \$75, 349.62 for the remodeling expenditures. We further recommend WVU comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code regarding timely payment of vendor invoices.

**University's Response**

*West Virginia University believes the expenditure was allowable based on the intended use of the project. Also, West Virginia University makes every effort to make timely payments to vendors who have provided goods/services. (See pages 25 - 27)*

**Equipment Inventory**

4. We were unable to locate six equipment items, mostly computer equipment, which had an total acquisition cost of \$29,176.20. Also, we observed other items of equipment which were located in areas other than those indicated in the University's records, as well as, some problems with the identification tags on equipment items.

**Auditors' Recommendation**

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and Section 13.2 of Higher Education Policy Commission, Policy Bulletin Number 21.

**University's Response**

*West Virginia University makes every effort to comply with its record-keeping responsibilities. The University has restructured and reorganized certain functions which should help control computer assets more effectively. (See pages 27 - 30)*

**State Purchasing Card**

5. We observed seven instances totaling \$13,557.11 where we believe University split purchases using the State Purchasing Card to keep the individual transactions below the \$1,000.00 threshold for using the purchasing card. Also, WVU was not properly reconciling the State Purchasing Card activity as required by the State Auditor's Office. Lastly, some purchasing card transactions lacked any supporting documentation.

**Auditors' Recommendation**

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. We also recommend WVU comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code. We further recommend WVU comply with the State of West Virginia Purchasing Card Policies and Procedures.

**University's Response**

*The University takes corrective action when inappropriate actions are found. (See pages 30 - 35)*

**Food Service Purchases**

6. We located 40 transactions for purchases of food products made using the State Purchasing Card totaling \$11,210.60 which had no supporting documentation available meaning University personnel could not locate cardholder account statements, credit card purchase forms (agency form for internal use) and itemized vendor invoices/valid credit card receipts

**Auditors' Recommendation**

We recommend WVU comply with Chapter 5A, Article 8, Section 9 (b) of the West Virginia Code, as amended.

**University's Response**

*As non-compliance issues arise, the University will take corrective action. (See pages 35 and 36)*

### **Catastrophic Leave**

7. We noted three employees who were overpaid a cumulative total of \$10,722.86 while on catastrophic leave status and one employee who was underpaid a cumulative total of \$3,891.65. We believe the overpayments result from the University's practice of allowing employees who are using catastrophic leave to continue to receive annual and sick leave accruals, paid holidays and "years of service" pay raises.

#### **Auditors' Recommendation**

We recommend WVU comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended and Higher Education Policy Bulletin 62. In addition, we recommend WVU comply with their own policies related to the accrual and usage of sick and annual leave.

#### **University's Response**

*The University believes it is complying with the requirements of Chapter 18B, Article 9, Section 10 of the West Virginia Code which created the Catastrophic Leave benefit. The University will examine its Catastrophic Leave Policy and modify it to accurately describe current practice. (See pages 36 - 38)*

### **Compensatory Leave**

8. We observed seven employees on 35 different instances were allowed to earn compensatory time off at a rate of one-and-one-half times the actual number of hours worked on a holiday and/or University designated inclement weather day, even though the employee had not physically worked 40 hours during the workweek.

**Auditors' Recommendation**

We recommend WVU comply with Section 778.102 of the Fair Labor Standards Act, Section 10.01 of Higher Education Policy Commission, Policy Bulletin Number 35 and WVU's Policy WVU-HR-6.

**University's Response**

*West Virginia University believes it is in compliance with the aforementioned guidance. However, to further ensure compliance, WVU will institute an annual agreement with each employee regarding their agreement to accept compensatory time in lieu of overtime compensation. (See pages 38 - 44)*

**Sick Leave Buy Back**

9. We noted two employees who bought back sick leave by reimbursing their Temporary Total Disability (TTD) benefits; however one of these employees overpaid WVU \$28.18 and the other employee still owes WVU \$613.90.

**Auditors' Recommendation**

We recommend WVU comply with Chapter 23, Article 4, Section 1 of the West Virginia Code, as amended.

**University's Response**

*This item is still under review by the University. If it is determined that there is an error in our calculations, corrective action will be taken. (See pages 45 and 46)*

**WEST VIRGINIA UNIVERSITY**  
**STUDENT HOUSING FUND**  
**GENERAL REMARKS**

**INTRODUCTION**

We have completed a post audit of the Student Housing Fund of West Virginia University. The audit covered the period July 1, 1997 through June 30, 2000.

**SPECIAL REVENUE ACCOUNT**

During the audit period, West Virginia University maintained a special revenue account to contain the proceeds received and pay expenses relating to the operation of the University's housing operations as required by law. Monies collected were deposited with the State Treasurer in the following special revenue account:

<b><u>Number</u></b>	<b><u>Description</u></b>
4148 .....	<b>Student Housing Fund</b> Room and board, bad check fees, rentals and interest for operation and maintenance costs and to service bonds.

**COMPLIANCE MATTERS**

Chapter 18B, Article 10 of the West Virginia Code generally governs West Virginia University's financial operations. We tested applicable sections of the above plus other applicable chapters, articles, and sections of the West Virginia Code as they pertain to financial matters. Our findings are discussed below.

**Lack of Effective System of Internal Controls**

During the course of our examination, it became apparent to us, based on the observed noncompliance with the West Virginia Code, West Virginia University did not have an

effective system of internal controls in place to ensure compliance with applicable State laws.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

“The head of each agency shall:

. . . (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities. . . .”

This law requires the agency head to have in place an effective system of internal controls in the form of policies and procedures set up to ensure the agency operates in compliance with the laws, rules and regulations which govern it.

During our audit of West Virginia University’s Student Housing Fund, we found the following noncompliance with State laws or other rules and regulations: (1) During our examination, we noted West Virginia University assessed the Student Housing Fund a six percent Service Charge Assessment . The Student Housing Fund was assessed a total of \$2,411,944.43 for this service charge during Fiscal Years 1999, 2000, and 2001. We noted one instance totaling \$1,894,231.80 in which the entire University’s State purchasing card payment for May 1999 was paid from the Student Housing Fund on June 17, 1999. In addition, during our examination of personal services, we noted 16 instances totaling \$9,688,407.48 in which funds were transferred out of the Student Housing Fund into the Payroll Clearing Fund (4170) to cover payroll costs for other University departments. We also noted the 16 corresponding reimbursements totaling \$9,688,407.48 to the Student Housing Fund from the respective borrowing FIMS funds. The monies maintained in the Student Housing Fund are governed by bonding covenants; therefore, these funds are not eligible to be used for temporary personal services transfers to other funds. In addition, we noted \$1,327,523.98 was transferred from the Student Housing Fund into the Payroll Clearing Fund - Fund 4170 to cover payroll costs for other University departments on June 26, 2000. The

University's June 30, 2000 payroll reflects the Student Housing Fund's portion of this as \$228,285.91. The remaining \$1,099,238.07 was never reimbursed back to the Student Housing Fund. Lastly, during our examination of utility and telecommunication expenditures, we noted 11 instances totaling \$984,748.73 where the University either paid in full or partially paid various utility bills for services benefitting other departments of the University in addition to student housing. (2) We noted four instances totaling \$75,349.62 in which the University paid for building expenditures from the wrong FIMS fund. The four instances were paid from the Student Housing Fund and should have been paid from the Student Union Fund (4149). We also noted four instances totaling \$58,187.82 in which West Virginia University did not pay various vendors in a timely manner. (3) During our examination of the agency's inventory of equipment items, there were seven equipment items totaling \$30,772.68 which University personnel were unable to locate. We also noted seven equipment items totaling \$15,047.35 which were physically located at locations other than the locations reflected on the agency's equipment listing. Finally, there was one instance where two equipment items had the same tag number. (4) We noted seven instances totaling \$13,557.11 in which West Virginia University (WVU) processed large purchases of goods or services for payment on the State purchasing card by splitting each large purchase into separate purchases of less than \$1,000.00 so that each purchase could be charged on the State purchasing card. These purchases were ordered from the same vendor during the same time frame. In addition, the University did not retain an itemized invoice or credit card receipt for four of these transactions totaling \$3,199.53. Also, during our examination of State purchasing card transactions, we noted WVU is not reconciling the Pro-Value System (PVS), a software program utilized by the agency to process purchasing card transactions, with the State FIMS system. The reconciliation process performed consists of reconciling the total charges for the entire University recorded on PVS to the total amount

paid to One Valley Bank/BB&T. In addition, we were unable to trace any specific purchasing card transactions to the FIMS payment because the agency is currently not able to produce a report from the PVS system detailing by FIMS fund and object code individual transactions paid through FIMS. While examining individual purchasing card transactions, we noted 36 instances totaling \$9,438.52 in which West Virginia University did not pay various vendors in a timely manner; ten transactions totaling \$3,915.63 which were not supported by any documentation; and five transactions totaling \$2,079.53 which were not supported by an itemized vendor invoice or valid credit card receipt. Finally, none of the 37 State purchasing card transactions tested were supported by a monthly log sheet signed by the cardholder. (5) During our examination of food service purchases, we noted 40 transactions totaling \$11,210.60 which were not supported by any documentation and two transactions totaling \$653.01 which were not supported by a pricing agreement between the University and the respective vendor. (6) We noted three employees who were overpaid a cumulative total of \$10,722.86 while on catastrophic leave status and one employee who was underpaid a cumulative total of \$3,891.65. (7) During the period July 1, 1998 through June 30, 2000, we noted 35 instances in which seven employees earned compensatory time at the rate of one-and-one-half times the actual number of hours worked on a holiday and/or University designated emergency inclement weather day. As a result of WVU's policies regarding the granting of compensatory leave, we believe WVU incurred \$1,225.84 additional payroll costs than was necessary. (8) During our examination of personal services we noted two employees incorrectly reimbursed the University to restore the sick leave used prior to receiving temporary total disability benefits from worker's compensation. One of these employees overpaid the University by \$28.18 and the other employee underpaid the University by \$613.90.

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and establish a system of internal controls.

**University's Response**

No response by West Virginia University.

**Overhead Assessment and Expenditures  
from Student Housing Fund**

During our audit, we noted West Virginia University assessed the Student Housing Fund a six percent Service Charge Assessment on all "modified total expenditures". As defined by WVU, "modified total expenditures" means:

"... gross expenditure less mandatory and non-mandatory transfers, contra accounts, service charge assessments, repairs and alterations, equipment, and debt and interest payment. . . ."

These service charge funds are established as sub-accounts within the Student Housing Fund and are used to pay general and administrative expenses of the University directly from the Student Housing Fund rather than by transferring the dedicated funds to other University accounts. All University auxiliaries and service centers are assessed a "Service Charge Assessment" ("Overhead Assessment") amounting to six percent of "modified total expenditures" to cover general and administrative expenses. During Fiscal Years 1999, 2000 and 2001, the Student Housing Fund was assessed a total of \$2,411,944.43 for this service charge as follows:

<b><u>Fiscal Year</u></b>	<b><u>Student Housing Fund Service Charge Assessments</u></b>
1999	\$ 849,149.39
2000	900,760.59
2001	<u>662,034.45</u>
Total	<u>\$2,411,944.43</u>

We believe the practice of assessing the Service Charge Assessment is in noncompliance with Chapter 18B, Article 10, Section 13 of the West Virginia Code which states:

**“The appropriate governing board of each state institution of higher education shall fix the fees to be charged students and faculty members for rooms, board and meals at the dormitories, faculty homes, dining halls and cafeterias operated by such board at the institution. Such fees shall be commensurate with the complete cost of such services.**

**All fees collected for such services shall be used first to pay the operating and maintenance costs of dormitories, faculty homes, dining halls and cafeterias and to meet interest, principal and sinking fund requirements due on any outstanding revenue bonds for which such receipts may have been pledged as security. Any such receipts not needed for these purposes may be expended by the appropriate governing board to defray the costs in whole or in part for the construction of any such facility.”** (Emphasis added)

In addition, we believe the charging of the Service Charge Assessment against the Student Housing Fund is in noncompliance with the bond covenants governing the State of West Virginia, University of West Virginia Board of Trustees - Dormitory Refunding Revenue Bonds (West Virginia University Project) 1997 Series A and the Dormitory Revenue Bonds (West Virginia University Project) 1997 Series B. Specifically, the aforementioned bond covenants state in part,“...

**Section 5.01. Source of Payment of Bonds. The Bonds and all payments by the Issuer hereunder are not general obligations of the State but are limited obligations payable by the Trust Estate. The pledge of the Trust Estate, including the Net Revenues, and the funds and accounts as security for the performance of all obligations of the Issuer hereunder shall be valid and binding from the time such pledge is made....”** (Emphasis added)

The terms “Net Revenues” and “Operating Expenses” are defined within Article 1 (Definitions) of the bond covenants as follows:

**“ . . . “Net Revenues” means Revenues less Operating Expenses.  
“Operating Expenses, “ unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the Dormitories (excluding depreciation or other non-cash charges) and includes, without limiting the generality of the foregoing, insurance**

premiums, supplies, labor, wages, utilities, employee benefits, the cost of food, materials and supplies used for the current operations, and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting practices, **excluding, however, administrative overhead expenses of the University chargeable or allocated to the Dormitories** and capital improvements charges properly allocated to a capital account in accordance with applicable accounting standards. . . .” (Emphasis added)

We believe the “Overhead Assessment” or “Service Charge Assessment” made by WVU represents “Administrative Overhead Expenses” which are prohibited from being charged as a part of the expenses of operating the dormitories of WVU by the bond covenants. By assessing the Student Housing Fund this service charge and subsequently paying general expenses of the University from this account, WVU is failing to make available the “Net Revenues” to the Trustee as called for in the bond covenants.

According to University personnel, no single account has sufficient funds to pay the general and administrative expenses of the University which would normally be charged to appropriations made to WVU from the State General Revenue Fund; therefore, the University assesses all revenue - producing auxiliaries and service centers a six percent Service Charge Assessment on all “modified total expenditures” in order to cover these expenses. These funds are set aside in a sub-account set up on the books of WVU in the Student Housing Fund special revenue account and, subsequently, invoices are paid directly from these funds by the Business Operations section of the Finance Division of WVU. Responsible Student Housing officials are aware of the assessment of the Service Charge assessment; however, they are not involved in the process of reviewing and approved the payment of the invoices which are charged against the assessment.

Also, during the audit, we noted one instance totaling \$1,894,231.80 where the entire University's State purchasing card payment processed during May 1999 was paid from the Student

Housing Fund on June 17, 1999 rather than the total cost being properly allocated among WVU's various State accounts. We believe the payment of purchasing card expenses for accounts other than the Student Housing Fund is in noncompliance with the provisions of Chapter 18B, Article 5, Section 2a of the West Virginia Code and the bond covenants governing the State of West Virginia, University of West Virginia Board of Trustees - Dormitory Refunding Revenue Bonds (West Virginia University Project) 1997 Series A and the Dormitory Revenue Bonds (West Virginia University Project) 1997 Series B. The University subsequently reimbursed the Student Housing Fund on October 8, 1999. The total amount reimbursed was \$1,653,925.50 which means \$240,306.30 was the cost of purchasing card transactions actually allocated to the Student Housing Fund. We requested the documentation to support these purchasing card expenditures totaling \$240,306.30 for May 1999 paid from the Student Housing Fund; however, the University has been unable to fully document this amount, and as a result, we are unable to determine the proper amount was reimbursed back to the Student Housing Fund by WVU's various State accounts.

Lastly, the entire expenditure of funds from the Student Housing Fund totaling \$1,894,231.80 was charged to object code 079 - Purchasing Card Purchases - Equipment rather than being properly allocated among the various purchasing card object codes utilized during fiscal year 1999. We also observed the reimbursement back to the Student Housing Fund was treated as a revenue transfer rather than as an expenditure reduction.

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

“ . . .(b) Notwithstanding the procedures and restrictions set forth in subsection (a) of this section, except to the extent that the section explicitly relates to transfers due to quarterly allotment insufficiencies, and notwithstanding any other provision of this code to the contrary, if a quarterly allocation of appropriations from the general revenue fund to the respective governing boards is insufficient to meet the cash flow needs within their respective systems to meet their payroll requirements, the boards may

**authorize the institutions to transfer funds from the various special revenue accounts under their jurisdiction to meet these needs, except funds whose use is governed by bonding covenants: Provided, That the legislative auditor shall be notified by the institution at the time of transfer and shall be provided whatever documentation that may be required to maintain records of the amounts transferred and subsequently restored: Provided, however, That the amounts of funds so transferred shall be restored to the accounts from which the transfers were made by the end of the fiscal year in which the transfers occurred: Provided further, That if the records in the office of the legislative auditor indicate any amounts transferred have not been restored by the end of the fiscal year, the legislative auditor shall notify the secretary of administration, auditor and treasurer, and thereafter no funds appropriated or allocated to the institution shall be encumbered or expended until such amounts are replaced: And provided further, That the respective spending units have first pursued appropriate administrative remedies to avoid anticipated cash flow shortages: And provided further, That nothing herein restricts the ability of the boards to respond to reductions of appropriations imposed in accordance with article two, chapter five-a of this code within the restoration period.” (Emphasis added)**

The effect of paying the entire University’s purchasing card expenditures from the Student Housing Fund results in WVU failing to make available the “Net Revenues” to the Trustee as called for in the bond covenants mentioned earlier. Also, the use of funds from the Student Housing Fund to pay expenses of other departments of WVU would be in noncompliance with the provisions of Chapter 18B, Article 5, Section 2a of the West Virginia Code because the Student Housing Fund has outstanding bonds and therefore, we believe no moneys can be borrowed from the Student Housing Fund to help meet the cash flow needs of other special revenue accounts of WVU. Lastly, misclassifying reimbursement transactions as revenues rather than as expenditure reductions may lead to misleading financial statements.

According to the Director of Research and Tax Accounting, this transaction being paid from the Student Housing Fund was due to implementation problems with the Pro-Value System (PVS) software. The PVS system was being implemented to enable electronic processing

of WVU's State purchasing card transactions directly between the bank and WVU and the University was having trouble interfacing the computer program with their internal accounting system to allow payment from the State's FIMS accounting system. According to University personnel, WVU attempted to pay the purchasing card payment on several FIMS documents; however, the State Auditor's Office rejected the transactions and insisted on having one payment document. In order to complete this request the payment was made from the Student Housing Fund since this fund had a sufficient cash balance at this time to cover the May 1999 procurement card payment. Due to the continuing software implementation problems, the reimbursements were not made in a timely manner.

Regarding the reimbursement of funds back to the Student Housing Fund, we noted the State discontinued the use of procurement card object codes during the fiscal year in which the reimbursement of monies occurred. Thus, the University treated this transaction as revenue received rather than as a reduction of expenditures in the Student Housing Fund.

In addition, during our examination of personal services, we noted 16 instances totaling \$9,688,407.48 in which funds were transferred out of the Student Housing Fund into the Payroll Clearing Fund (4170) to cover payroll costs for other University departments. We also noted the 16 corresponding reimbursements totaling \$9,688,407.48 to the Student Housing Fund from the respective borrowing FIMS funds. The monies maintained in the Student Housing Fund are governed by bonding covenants; therefore, these funds are not eligible to be used for temporary personal services transfers to other funds.

Also, we noted \$1,327,523.98 was transferred from the Student Housing Fund into the Payroll Clearing Fund (4170) to cover payroll costs for other University departments on June 26, 2000. The University's June 30, 2000 payroll reflects the Student Housing Fund's portion of this as \$228,285.91. The remaining \$1,099,238.07 was never reimbursed back to the Student Housing

Fund. According to a Senior Accountant with WVU's Department of Research and Tax Accounting, these funds were funded through the administrative service charge assessed the Student Housing Fund for the purpose of assisting with the funding of the general operations of the University; therefore, reimbursement of these funds back to the Student Housing Fund was not necessary in the University's view.

The aforementioned payroll transfers are detailed in the following schedule:

<u>Date of Transfer</u>	<u>Fund for Which Monies Were Made Available</u>	<u>Amount Transferred</u>	<u>Amount Reimbursed</u>	<u>Difference</u>
04/25/00	Gifts and Grants Fund - Fund 4142	\$ 976,149.74	\$ 976,149.74	\$ 0.00
06/12/00	Special Services Fund - Fund 4159	3,757,112.05	3,757,112.05	0.00
06/12/00	Graduate Extension & Off Campus Course Fees Fund - Fund 4160	55,337.95	55,337.95	0.00
04/11/00	WVU Student Activities Fund - Fund 4153	194,235.50	194,235.50	0.00
06/27/00	Payroll Clearing Fund - Fund 4170	1,099,238.07	0.00	1,099,238.07
04/11/00	Special Services Fund - Fund 4159	147,560.99	147,560.99	0.00
04/11/00	Special Services Fund - Fund 4159	123,363.78	123,363.78	0.00
05/11/00	Special Services Fund - Fund 4159	775,276.55	775,276.55	0.00
04/11/00	Special Services Fund - Fund 4159	958,948.12	958,948.12	0.00
05/11/00	Special Services Fund - Fund 4159	971,237.27	971,237.27	0.00
06/12/00	Special Services Fund - Fund 4159	814,576.26	814,576.26	0.00
04/11/00	Regents BA Degree Program Fund - Fund 4144	31,345.02	31,345.02	0.00
05/11/00	Special Services Fund - Fund 4159	34,130.01	34,130.01	0.00
04/11/00	Regents BA Degree Program Fund - Fund 4144	106,469.31	106,469.31	0.00
04/11/00	Regents BA Degree Program Fund - Fund 4144	55,828.17	55,828.17	0.00
04/11/00	Regents BA Degree Program Fund - Fund 4144	10,550.04	10,550.04	0.00
05/11/00	Special Services Fund - Fund 4159	<u>676,286.72</u>	<u>676,286.72</u>	<u>0.00</u>
Total		<u>\$10,787,645.55</u>	<u>9,688,407.48</u>	<u>\$1,099,238.07</u>

We believe the practice of borrowing funds from the Student Housing Fund to cover payroll costs for other departments of WVU is in noncompliance with Chapter 18B, Article 5, Section 2a of the West Virginia Code. Also, by transferring monies from the Student Housing Fund to pay the payroll costs of other University departments, WVU is failing to make available the "Net Revenues" to the Trustee as called for in the bond covenants. We believe the aforementioned instances of funds being transferred to cover the payroll costs of other departments were the result of these departments not having sufficient funds to cover the payroll costs for that payroll period.

Lastly, during our examination of utility and telecommunication expenditures, we noted 11 instances totaling \$984,748.73 where the University either paid in full or partially paid various utility bills for services benefitting other departments of the University in addition to student housing. These expenditures are detailed in the following schedule:

<u>Transaction Date</u>	<u>Vendor</u>	<u>Type of Utility</u>	<u>Amount Paid</u>
09/24/98	Allegheny Power	Electric	\$ 8,784.10
10/26/98	Morgantown Energy Associates	Water and Steam	433,499.75
01/06/99	Morgantown Energy Associates	Water and Steam	257,295.17
07/22/99	Allegheny Power	Electric	116,855.26
09/23/99	Allegheny Power	Electric	136,633.58
03/29/00	Allegheny Power	Electric	5,594.40
05/22/00	Allegheny Power	Electric	38.43
05/22/00	Morgantown Utility Board	Water/Sewer	22.31
05/22/00	Allegheny Power	Electric	12,927.33
05/25/00	Allegheny Power	Electric	9,469.60
06/21/00	Allegheny Power	Electric	<u>3,628.80</u>
Total			<u>\$984,748.73</u>

Based on documentation provided by agency personnel relating to the expenditures reflected in the table above, we were unable to determine the applicable portion of each vendor billing which strictly benefitted WVU's housing operations.

According to the Director of Research and Tax Accounting, some of the utility bills for the University are paid from the Student Housing Fund. These expenditures are funded in part by a Service Charge Assessment made by the University on the Student Housing Fund's "modified total expenditures" as defined earlier and by funds transferred from other departments to the Student Housing Fund. During the period July 1, 1998 through June 30, 2000, we noted \$1,930,725.25 was transferred from other special revenue accounts of WVU to the Student Housing Fund. University personnel with WVU's Payment Services Section also told us there was no documentation maintained on file by the University documenting the proper allocation of utility bills received from service providers among WVU's various departments.

We recommend WVU comply with Chapter 18B, Article 10, Section 13 and Chapter 18B, Article 5, Section 2a of the West Virginia Code. We also recommend WVU comply with the bond covenants governing the State of West Virginia, University of West Virginia Board of Trustees - Dormitory Refunding Revenue Bonds (West Virginia University Project) 1997 Series A and the Dormitory Revenue Bonds (West Virginia University Project) Series 1997 Series B.

**University's Response**

*The University is in compliance with Chapter 18B, Article 10, Section 13 of the West Virginia Code. All fees collected are used first to pay the operating and maintenance costs of dormitories, faculty homes, dining halls, etc. The service charge is the "indirect" operating cost of our Housing operation.*

*The University is in compliance with the bond covenants governing the State of West Virginia, University of West Virginia Board of Trustees – Dormitory Refunding Revenue Bonds (West Virginia University Project) 1997 Series A and the Dormitory Revenue Bonds (West Virginia University Project) 1997 Series B. The bond covenants do not prohibit the assessment of administrative overhead. However, they do exclude this expense and capital improvement charge in their definition of “Operating Expenses”. The intent of this exclusion is to emphasize that service charge and capital improvement activity is not applicable in the calculation of the “Net Revenues”. Furthermore, the University has not endangered the pledge to bondholders. The University does not have a duty to accumulate balances or to maintain any type of sinking fund.*

*The University is in compliance with Chapter 18B, Article 5, Section 2a of the West Virginia Code. The University did not “transfer funds” as defined in code. However, we did process an expenditure transaction against a sub-account within the State Housing Fund. The sub-account is the repository of the service charge assessment. This sub-account is a Central University account not a Housing Operation account.*

*As mentioned in the body of the finding, the University was having difficulty in getting the appropriate P-Card feed from the State’s bank to interface with our third party vendor which in turn interfaces with our accounting system. The State Auditor’s Office was exercising extreme pressure to receive payment. The transaction in question was made to comply with a mandate of the State Auditor’s Office. Under normal circumstances this transaction would not have been necessary.*

*The University is in compliance with Chapter 5A, Article 8, and Section 9 of the West Virginia Code. The utility assessment to Housing is based on a utility study that allocates utilities across campus based on square footage. This documentation is available for the auditor’s to review.*

**Building Expenditures**

We noted four instances where the University paid a total of \$75,349.62 for building expenditures from the wrong FIMS fund. The expenditures were for the remodeling repairs for two food service operations which are part of dining services. One food service operation is located at the Evansdale Residential Complex and the other is located at the Mountainlair Student Union. These repairs were completed during September 1998, February 1999 and September 1999. Based on University records, the cash receipts collected from these two locations are deposited into the Student Union Fund (4149).

During our examination of building transactions, we also noted four instances totaling \$58,187.82 in which West Virginia University paid vendor invoices from 80 to 150 days after the invoices were received by WVU. The Prompt Pay Act of 1990 requires vendor invoices received by State agencies to be paid within 60 days of receipt. The following table details these late payments made to the various vendors.

<u>Vendor</u>	<u>Invoice Received Date</u>	<u>FIMS Transaction Date</u>	<u>Days Late</u>	<u>Amount Paid</u>
March-Weston Co, Inc.	03/19/98	07/06/98	49	\$ 6,925.30
Huffman Corporation	10/05/98	03/04/99	90	21,100.27
NF Mansuetto & Sons	12/14/99	03/03/00	20	25,531.00
NF Mansuetto & Sons	12/02/99	02/25/00	25	<u>4,631.25</u>
TOTAL				<u>\$58,187.82</u>

We believe the late payments to vendors would be in noncompliance with Chapter 5A, Article 3, Section 54 of the West Virginia Code which states in part,

“... (d) the State agency initially receiving a legitimate uncontested invoice shall process such invoice for payment within ten days from its receipt. . . .”

By utilizing monies from the Student Housing Fund to remodel food service operations whose receipts are deposited to the Student Union Fund (4149) results in the Student Housing Fund subsidizing the student union facilities. According to the Assistant to the Associate Vice President for Student Affairs, the dining services department serves both the WVU housing operations and student union facilities. Due to the nature of this relationship between dining services and the other facilities, the cost of renovations were paid from the Student Housing Fund. However, since the receipts collected from these food service operations are being deposited to the Student Union Fund (4149), we believe the construction expenditures related to the renovation of these facilities should have been paid from the Student Union Fund (4149).

By not paying invoices in a timely manner, the University may be required to pay interest penalties and late fees to vendors. According to University personnel, the reason these payments were paid late may have been because the vendor had not completed services in a satisfactory manner; however, the documentation supporting these payments did not indicate any dissatisfaction with the quality of the services received. Agency personnel stated that proper payment on such an invoice would not be made until the services were completed to the University's satisfaction.

We recommend WVU comply with Chapter 18B, Article 10, Section 13 of the West Virginia Code. We also recommend the Student Union Fund (4149) reimburse the Student Housing Fund (4148) a total of \$75,349.62 for the remodeling expenditures. We further recommend WVU

comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code regarding timely payment of vendor invoices.

**University's Response**

*The University is in compliance with Chapter 18B, Article 10, Section 13 of the West Virginia Code. As part of program support, the initial construction expenses were supported from dormitory funds as a collaborative effort to allow board meals to be eaten at the Mountainlair as a benefit to the Dormitory students. Given our intentions, the appropriate funds were charged.*

*The University makes every effort to comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code regarding timely payment of vendor invoices. Every effort is also made to ensure that the University has received the goods/services. The invoices cited were construction projects that are not processed until the appropriate authority ensures that the project meets the safety/standards of University. Until the University and the vendor agree that the standards have been met, the service is not considered complete (even though the vendor has submitted an invoice to the University prior to this agreement).*

**Equipment Inventory**

During our examination of the agency's inventory of equipment items, there were six equipment items totaling \$29,176.20 which University personnel were unable to locate. These items were selected from the University's equipment inventory listing and are reflected on the following schedule.

<u>Tag No.</u>	<u>Item</u>	<u>Department</u>	<u>Location Per Report</u>	<u>Acquisition Cost</u>
OC30100	Microcomputer	Housing	Arnold Hall Room 302	\$14,400.00
OC57708	Microcomputer	Housing	Bennett Tower Room G113	5,955.70
OC41281	Portable Computer	Housing	Stalnaker Hall	2,890.00
OC36434	Steam Cleaner	Housing	College Park Apts. Room 366	1,670.00
OC58422	Dell Microcomputer	Dining Services	Boreman Hall S. Room 106	2,426.00
OB72843	Refrigerated/Heater Cart	Dining Services	Erickson Alumni Center	<u>1,834.50</u>
Total				<u>\$29,176.20</u>

We also noted seven equipment items totaling \$15,047.35 which were physically located at locations other than the locations reflected on the agency's equipment listing. Some of the items were located in different rooms and others were found in buildings different from what was shown on the report. These items consisted of six Dell computers and one sign engraver. Upon physically locating the sign engraver, we noted there was no inventory tag affixed to the item.

During our examination of equipment inventory, we also noted one instance where two equipment items had the same tag number. Each item was a Dell microcomputer with an acquisition cost of \$2,336.00. Only one of these items was reflected on the agency's current inventory listing.

The guidelines for efficient record keeping are set forth in Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, which states in part:

"The head of each agency shall:  
. . .(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights for the state and of persons directly affected by the agency's activities. . . ."

Section 13.2 of Higher Education Policy Commission, Policy Bulletin Number 21

also addresses record keeping in regard to inventory management. Section 13.2 states:

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

13.2.2. The chief procurement officer shall set up and maintain the institution's inventory management system on the basis of generally accepted accounting standards. This system shall also conform to the requirements of the Governing Board, the state and federal government as applicable.

13.2.3. The chief procurement officer shall conduct an annual audit of the institution's inventory. On the fifteenth of July of each year, the president shall submit the institution's inventory report to the senior administrator for the preceding fiscal year.”

The University not complying with the above criteria may result in the financial statements being misstated and may lead to improper custodianship of assets. Also, affixing the same tag number to more than one inventory item may allow for the misuse of or misplacement of such inventory items. Regarding the equipment items which could not be located, the Student Affairs Business Office (SABO) Coordinator was unable to determine where these items were currently located.

According to the SABO Coordinator and the Facilities Manager for Housing and Residence Life, the reason some items were located in a room or building other than what was indicated on the inventory listing was due to employees transferring to another department and simply taking their equipment with them. The department from which the employee transferred should have initiated the process of reporting the new location for the transferred equipment items to WVU's Asset Management Office but on many occasions this procedure was not done. The Manager for Asset Management and Bond Accounting agreed with this explanation.

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and Section 13.2 of Higher Education Policy Commission, Policy Bulletin Number 21.

University's Response

*The University makes every effort to comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended and Section 13.2 of Higher Education Policy Commission, Policy Bulletin Number 21. As part of the restructuring and reorganizing within the Division of Student Affairs, the consolidation of information technology staff within Student Affairs will help control computer assets more effectively. Under this new management, they will continually strive toward more accurate and effective methods of tracking the assets.*

State Purchasing Card

We noted seven instances totaling \$13,557.11 in which West Virginia University (WVU) processed large purchases of goods or services for payment on the State purchasing card by splitting each large purchase into separate purchases of less than \$1,000.00 so that each purchase could be charged on the State purchasing card. These purchases were ordered from the same vendor during the same time frame. These purchases are detailed in the following schedule:

<u>No.</u>	<u>Vendor</u>	<u>Date Ordered</u>	<u>Transaction Date</u>	<u>Amount Paid</u>	<u>Description</u>
1	Sherwin Williams	07/16/98	07/22/98	\$ 909.00	Paint and supplies
	Sherwin Williams	07/14/98	07/22/98	446.60	Paint and supplies
	Sherwin Williams	07/23/98	07/29/98	413.94	Paint and supplies
	Sherwin Williams	07/23/98	07/29/98	913.50	Paint and supplies
	Sherwin Williams	07/20/98	07/29/98	918.84	Paint and supplies
2	Crest/Good MFG. Co.	07/14/98	08/04/98	463.53	Plumbing supplies
	Crest/Good MFG. Co.	07/14/98	08/04/98	791.58	Plumbing supplies
3	United Safety Services	08/12/98	08/14/98	620.00	Kitchen exhaust maintenance

<u>No.</u>	<u>Vendor</u>	<u>Date Ordered</u>	<u>Transaction Date</u>	<u>Amount Paid</u>	<u>Description</u>
	United Safety Services	08/12/98	08/14/98	488.00	Kitchen exhaust maintenance
	United Safety Services	08/12/98	08/14/98	570.00	Kitchen exhaust maintenance
4	West Penn Chemical Supply	08/18/98	08/27/98	857.90	Cleaning supplies
	West Penn Chemical Supply	08/18/98	08/27/98	896.35	Cleaning supplies
5	T&L Supply Co.	07/23/98	09/01/98	760.00	Wastebaskets
	T&L Supply Co.	07/21/98	09/01/98	988.00	Wastebaskets
	T&L Supply Co.	07/24/98	09/01/98	988.00	Wastebaskets
6	Romisch MFG & Metals	12/09/98	12/09/98	1,000.00	Stainless steel rods/eyelets
	Romisch MFG & Metals	12/09/98	12/09/98	397.50	Stainless steel eyelets
7	Sherwin Williams #1004	03/08/00	03/8/00	976.50	Paint
	Sherwin Williams #1004	03/08/00	03/8/00	<u>157.87</u>	Paint
TOTAL				<u>\$13,557.11</u>	

We believe agency personnel attempted to circumvent State Purchasing Card Policies and Procedures by making multiple charges to their State purchasing card in order to pay for these large purchases of goods or services on the State purchasing card. In addition, the University did not retain an itemized invoice or credit card receipt supporting the three purchases made from T&L Supply Company totaling \$2,736.00 and one purchase made from Crest/Good Mfg. Company amounting to \$463.53.

We believe the aforementioned instances of stringing invoices are in noncompliance with the State of West Virginia Purchasing Card Policies and Procedures which state in part,

“The cardholder is obligated to follow all rules as stated in the Purchasing Card Policies and Procedures. The purchasing card is for **official state use only**. . . **Official State Purchases** - Purchases and expenditures made by an employee on behalf of the state or the employing Spending Unit as allowed by law, policy and procedure and within approved budget authority. . . **Transaction Limit** - For

the period beginning July 1, 1998, the maximum dollar amount permitted in a single transaction is \$1,000.00. . . **Ordering and Receipts** - A receipt is required for all transactions. A receipt must contain specific information and meet certain conditions, but it may be in any form. Shipping ticket order forms may be acceptable if the following information is provided and conditions meet. . . A valid receipt shows no balance due or an invoice marked **Paid**. . . An indication that the sale was by credit card must be present. A reference on the receipt to Visa, such as "credit card" or "purchasing card" is acceptable. Orders from statewide contracts, which are \$1,000.00, or less per transaction may be paid for with the purchasing card. . . **Stringing of Purchases/Charges** - the intentional manipulation of the ordering, billing, or payment process in order to circumvent the transaction limit. . . ."

The practice of not complying with the State of West Virginia Purchasing Card Policies and Procedures may allow cardholders to misuse the State purchasing card and make purchases that may not otherwise be allowed. The Purchasing Card Coordinator for the Student Affairs Business Office (SABO) told us the multiple purchases to the same vendor during the same time frame was due to the respective vendor holding the payment information and submitting the credit card information after several purchases had been made. The University believes this is a vendor problem and is not the University's problem. In addition, WVU personnel stated the lack of itemized invoices and not retaining the original invoices were due to an oversight.

Also, during our examination of State purchasing card transactions, we noted WVU is not reconciling the Pro-Value System (PVS), a software program utilized by the agency for processing State purchasing card transactions directly between the agency and the bank, with the State FIMS accounting system. The reconciliation process performed consists of reconciling the total charges for the entire University recorded on PVS to the total amount paid to One Valley Bank/BB&T. In addition, we were unable to trace any specific purchasing card transactions to the FIMS payment because the agency is currently not able to produce a report from the PVS system detailing by FIMS fund and object code individual transactions paid through FIMS. Utilizing PVS,

the individual departments manually determine that each expenditure is posted to the correct fund and object code. This information is subsequently posted to FIMS when the PVS system automatically interfaces with the University's internal accounting system which in turn interfaces with FIMS. The funding information entered by the individual departments is never reconciled with the actual payment made to One Valley Bank/BB&T. University personnel stated they are not concerned with the amounts being charged to the correct FIMS fund, but that the correct amount is paid to One Valley Bank/BB&T. In addition, agency personnel stated they have never had a need to have a report prepared verifying that the correct amounts were being charged to the appropriate FIMS funds.

Also, there were ten transactions totaling \$3,915.63 which were not supported by any documentation. For these transactions, agency personnel could not locate cardholder account statements, credit card purchase forms (agency form for internal use), and itemized vendor invoices/valid credit card receipts. In addition, there were five transactions totaling \$2,079.53 which were not supported by an itemized vendor invoice or valid credit card receipt. Finally, none of the 37 State purchasing card transactions tested were supported by a monthly log sheet signed by the cardholder.

We believe the aforementioned items are in noncompliance with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, which states in part,

"The head of each agency shall:  
... (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities. . . ."

In addition, we believe the instances of inadequate documentation relating to individual purchasing card transactions are in noncompliance with the State of West Virginia Purchasing Card Policies and Procedures which state in part,

**“Ordering and Receipts** - A receipt is required for all transactions. A receipt must contain specific information and meet certain conditions, but it may be in any form. Shipping ticket order forms may be acceptable if the following information is provided and conditions meet. . . A valid receipt shows no balance due or an invoice marked **Paid**. . . An indication that the sale was by credit card must be present. A reference on the receipt to Visa, such as “credit card” or “purchasing card” is acceptable. Orders from statewide contracts, which are \$1,000.00, or less per transaction may be paid for with the purchasing card. . . Log Sheet Instructions - Each cardholder is required to maintain a log for recording purchasing card transactions details. Entries must be made as soon as possible after goods are purchased or orders placed. . . The log should reflect the actual outcome of all transactions and match the statement. Credits received within the same billing cycle require an additional “credit” entry on the log. The log must be signed by cardholder. . . .”

By not maintaining adequate documentation the University may be unable to properly support Purchasing Card expenditures and verify that each expenditure was paid from the appropriate FIMS fund. According to the Manager of Payment Services the University is primarily concerned with the payment to One Valley Bank/BB&T and the University is confident that each expenditure was properly posted to the correct FIMS fund. She also stated the University has never had a need to develop a report that would provide the necessary information on each expenditure to enable tracing of said expenditures to each of the FIMS funds. Regarding the instances of inadequate documentation relating to individual purchasing card transactions, the purchasing card coordinator for SABO believes the supporting documentation was sent to storage and subsequently misplaced. She further stated that SABO was not aware that log sheets were required to be maintained by individual cardholders and signed at the end of each month.

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. We also recommend WVU comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code. We further recommend WVU comply with the State of West Virginia Purchasing Card Policies and Procedures.

**University's Response**

*The University makes every effort to comply with Chapter 5A, Article 8, Section 9(b), Chapter 5A, Article 3, Section 54 and State of West Virginia Purchasing Card Policies and Procedures. When inappropriate actions were found, corrective action was taken.*

**Food Service Purchases**

During our examination of food service purchases, we noted 40 transactions totaling \$11,210.60 which were not supported by any documentation. For these transactions, agency personnel could not locate cardholder account statements, credit card purchase forms (agency form for internal use), and itemized vendor invoices/valid credit card receipts. In one of the above instances the agency was unable to provide supporting documentation for a \$34.40 expenditure reduction. In addition, there were two transactions totaling \$653.01 which were not supported by a pricing agreement between the University and the respective vendor.

We believe this is in noncompliance with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, which states in part,

“The head of each agency shall:  
... (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities. . . .”

The University not maintaining adequate documentation may result in the University not being able to properly support purchases of merchandise for resale. According to the Student

Affairs Business Office (SABO) Coordinator, she believes the supporting documentation was sent to storage and subsequently misplaced.

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended.

University's Response

*The University makes every effort to comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code. As non-compliance issues arise, the University will take corrective action.*

Catastrophic Leave

We noted three employees who were overpaid a cumulative total of \$10,722.86 while on catastrophic leave status and one employee who was underpaid a cumulative total of \$3,891.65.

These over and under payments are detailed in the following schedule:

<u>Employee No.</u>	<u>Duration of Medical Leave</u>	<u>Amount Overpaid/ (Underpaid)</u>
1	September 1998 to April 1999	\$1,891.19
2	December 1998 to July 1999	(\$3,891.65)
3	October 1999 to December 1999	\$ 696.61
4	February 2000 to December 2000	\$8,135.06

The overpayments were due to the employee improperly accruing sick and annual leave as well as being paid for holidays while on catastrophic (donated) leave status.

Another contributing factor to Employee No. 4's overpayment was the agency gave this employee a "years of service" pay raise while on catastrophic leave. We believe the employee should not have received this raise since utilization of donated leave does not qualify as time worked. Also, the underpayment to Employee No. 2 was the result of the employee's remaining sick and annual leave being improperly calculated by agency personnel.

We believe these overpayments are in noncompliance with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, which states:

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

We also believe the University is not in compliance with their own policies regarding the accrual of sick and annual leave. Sick Leave Policy WVU-HR-46 states in part,

“Employees must be in an active payroll status and work the majority of the month in order to accrue sick leave. . . .”

Annual Leave Policy WVU-HR-2 states in part,

“Employees must be in an active payroll status and work the majority of the month in order to accrue annual leave. . . .”

In addition, we believe the University is not in compliance with Section 2.1 of Higher Education Policy Bulletin 62 which states in part,

“2.1 This subsection defines the different types of employment that institutions may use and the status under the classification program and for benefits.

2.1.1 Full-Time Regular Employee (FTR). Any employee in a classified position created to last a minimum of nine months of a twelve month period and in which *such employee is expected to work no less than 1,040 hours during said period*. The full-time equivalent (FTE) of such a position must be reported at no less than .53 FTE. Such an employee is covered under the classification program set out by this rule and is eligible for all applicable benefits of a full-time regular classified employee, subject to qualifying conditions of each benefit. Such benefits shall be prorated in relation to a 1.00 FTE. Length of service as a full-time regular employee with the State of West Virginia shall be credited toward initial placement on the salary schedule which may be subsequently enacted by the Legislature or adopted by the governing boards.”

By not complying with the aforementioned criteria, the University may be allowing employees to receive more compensation than they are entitled to receive. According to a Human Resources Representative with WVU’s Medical Management Department, the overpayments to these

employees were due to the University allowing these employees to accrue sick, annual, holiday time and receive "years of service" pay increases while on donated time. She further stated this procedure has been in place since the start of the catastrophic leave plan and the reason the employees received the leave was because the employees were on an active payroll status while being paid for the donated time. Finally, she explained the underpayment to the one employee was due to calculation errors on the part of agency personnel in determining the employee's remaining balance of sick and annual leave.

We recommend WVU comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended and Higher Education Policy Bulletin 62. In addition, we recommend WVU comply with their own policies related to the accrual and usage of sick and annual leave.

#### University's Response

*The Catastrophic Leave issues have been managed consistently since 1991, when the Catastrophic Leave Program began. Employees that are on approved Catastrophic Leave continue to accrue benefits including, sick and annual leave, health insurance, holiday pay, years of service, longevity and benefits. The University complied with WV Code 18B-9-10, section C. The University will examine its Catastrophic Leave Policy and modify it to accurately describe current practice.*

#### Compensatory Leave

During the period July 1, 1998 through June 30, 2000, we noted 35 instances in which seven employees earned compensatory time at the rate of one-and-one-half times the actual number of hours worked on a holiday and/or University designated emergency inclement weather day. In each instance, the employee had physically worked less than 40 hours during the respective workweek. These instances are summarized as follows:

<u>Employee No.</u>	<u>Hours Earned per WVU Policy</u>	<u>Hours Earned per Fair Labor Standards Act</u>	<u>\$ Value of Hours Earned per WVU Policy</u>	<u>\$ Value of Hours Earned per Fair Labor Standards Act</u>	<u>Additional Payroll Cost per WVU Policy</u>
1	\$ 67.50	45.00	\$ 761.36	\$ 507.57	\$ 253.79
2	45.00	30.00	311.94	207.96	103.98
3	78.75	52.50	757.88	505.26	252.63
4	67.13	44.75	578.75	385.83	192.92
5	34.88	23.25	419.18	279.45	139.73
6	46.75	29.00	395.92	278.34	117.57
7	<u>56.25</u>	<u>37.50</u>	<u>495.66</u>	<u>330.44</u>	<u>165.22</u>
Total	<u>\$396.26</u>	<u>262.00</u>	<u>\$3,720.69</u>	<u>\$2,494.85</u>	<u>\$1,225.84</u>

As a result of WVU's policies regarding the granting of compensatory leave, we believe WVU incurred \$1,225.84 additional payroll costs than was necessary.

For the ten employees tested for compensatory leave, there were 151 instances of employees earning compensatory time and 112 instances of employees taking compensatory time off. Of these ten employees, the University could not provide us with a written agreement between the employee and the employee's supervisor authorizing additional time worked by the employee to be classified as compensatory time.

In addition, the University allowed five employees to accrue 28.70 hours of compensatory leave more than they were entitled to accrue while not crediting two employees with an additional 10.94 hours of compensatory leave to which they were entitled to accrue. For the employees included in our examination of compensatory leave, the University was unable to provide us with the compensatory leave balances of these employees prior to January 2001 due to the University's computerized timekeeping system was not capable of providing this information.

Finally, we noted 28 instances in which no leave slip could be located for compensatory time off taken by the employee, 13 instances of leave slips not signed by the employee, one instance of an employee's leave slip not signed by a supervisory official, and one instance in which a time sheet could not be located to substantiate the amount of compensatory time earned by an employee.

We believe this practice is in noncompliance with West Virginia University Compensatory and Substitute Time Off Policy WVU-HR-6 which states in part,

"POLICY

It is a management option to offer CTO/STO in lieu of money as compensation for additional hours worked. Qualifying employees earn CTO and/or STO for additional hours worked; time worked on observed holidays; and/or time worked during declared emergency shut down periods. Unless otherwise specified, in order for employees to earn CTO or STO the supervisor must offer CTO/STO in lieu of salary prior to the work being performed. There must be a mutual written agreement between the employee and the supervisor confirming the employee's agreement to be compensated with CTO/STO. The written agreement may be modified at the request of either party; mutual consent is required for modification. In the absence of such an agreement the employee should be compensated in pay for the authorized hours worked."

We also believe this practice is in noncompliance with Section 10.1 of Higher Education Policy Bulletin 35 which states in part,

"10. Leave Records to be Maintained by Each Institution.

10.1 A complete leave record and file shall be maintained by each college and university for each employee. This record shall disclose at all times accrued leave, as well as leave that has been used. . . ."

In addition, the above items exceed the minimum requirements for employers set forth in Section 778.102 of the Fair Labor Standards Act which states,

"Application of overtime provisions generally.

Since there is no absolute limitation in the Act (apart from child labor provisions and regulations thereunder) on the number of hours that an

employee may work in any workweek, he may work as many hours a week as he and his employer see fit, so long as the required overtime compensation is paid him for hours worked in excess of the maximum workweek prescribed by section 7(a). The Act does not generally require, however, that an employee be paid overtime compensation for hours in excess of eight per day, or for work on Saturdays, Sundays, holidays or regular days of rest. If no more than the maximum number of hours prescribed in the Act are actually worked in the workweek, overtime compensation pursuant to section 7(a) need not be paid. Nothing in the Act, however, will relieve an employer of any obligation he may have assumed by contract or of any obligation imposed by other Federal or State law to limit overtime hours of work or to pay premium rates for work in excess of a daily standard or for work on Saturdays, Sundays, holidays, or other periods outside of or in excess of the normal or regular workweek or workday.”

West Virginia University not requiring all employees to document their decision to have overtime and additional straight time classified as compensatory time may lead to employees not being properly compensated for time worked. In addition, if an employee does not properly document their preferred manner of compensation for additional time worked, WVU’s budget could be adversely affected by the additional burden of paying employees for additional straight time and/or overtime in lieu of these employees receiving compensatory time.

The lack of written agreements supporting each employee’s option to be compensated for additional time worked with compensatory time were the result of WVU managers relying on verbal agreements made with employees in place of written agreements. According to the Assistant to the Associate Vice President of Student Affairs, WVU management has been effective in making verbal agreements since no disputes have been reported.

By granting employees compensatory time for hours worked on holidays and/or University designated inclement weather days at a higher rate than what is required by the Fair Labor Standards Act may lead to additional payroll costs for the University. Also, we believe agency personnel not properly calculating the amount of compensatory time earned may lead to employees not being properly compensated for time worked.

We believe that several factors were involved in the improper accrual of compensatory time earned. One of these factors is that WVU has an institutional policy which allows employees to earn compensatory leave at the rate of one-and-one-half times the actual number of hours worked on holidays and emergency inclement weather days although the Fair Labor Standards Act does not require overtime pay for any hours worked under 40 per week.

According to the Employee Relations Representative with Human Resources, WVU allows employees to accrue compensatory leave at the rate of one-and-one-half times the actual number of hours worked on holidays in compliance with Section 5 of Higher Education Policy Bulletin No. 62 which states in part,

“Compensatory and Holiday Premium Time Off.

5.1 Compensatory time off shall be allowed only to the extent authorized by federal and state law.

5.2 When a full-time or part-time classified non-exempt employee is required to work on any designated board or institution holiday, that employee at his/her option shall receive regular pay for that holiday plus substitute time off or additional pay at the rate of one and one-half (1 ½) times the number of hours actually worked. This time off must be used within a six-month period following the holiday.

5.3 When an exempt employee is required to work on any designated board or institution holiday, that employee shall be given substitute time off on an hour-for-hour worked basis.”

In addition, this employee explained that WVU implemented policies which grant employees compensatory leave at the rate of one and one-half times the actual number of hours worked on emergency inclement weather days because of the urgent need for certain employees to report to work on such days. Employees such as roads/grounds keepers and food service workers are needed to report to work on such days due to the nature of their job duties. These policies include:

## “WVU-HR-6 Compensatory and Substitute Time Off Policy

### POLICY

It is a management option to offer CTO/STO in lieu of money as compensation for additional hours worked. Qualifying employees earn CTO and/or STO for additional hours worked; time worked on observed holidays; and/or time worked during declared emergency shut down periods...

## WVU-HR-55 University Observed Holidays Policy

### POLICY

The number of holidays shall be 12 per fiscal year, in addition to statewide primary or general election days, plus 2 additional half-holidays when Christmas and New Year's Day fall on a Tuesday through Friday. Days taken shall include Independence Day, Labor Day, Thanksgiving Day, Christmas Day, New Year's Day, and Martin Luther King's birthday. The remaining holidays will be designated at the discretion of the President. Operational need may require that an employee work on an observed University holiday. If the employee is non-exempt, compensation in the form of substitute time off (STO) or additional pay at a rate of one-and-one-half (1 ½) for actual hours worked on the holiday will be granted. If the employee is exempt, compensation in the form of STO on an hour-for-hour basis will be granted. Holiday STO must be used within six (6) months of being earned. Holiday entitlements apply only to University observed holidays.

## WVU-HR-31 Overtime Policy

### POLICY

At times, employees may be required to work additional time than their standard scheduled work hours. The University will properly account for and compensate employees in such situations...Only actual hours worked beyond forty (40) within a workweek by a non-exempt employee qualify as overtime. Work release time and absences charged to leave accruals during the workweek are not calculated as actual hours worked for overtime. Overtime must be compensated: in wages at the rate of one and one-half (1 ½) the employee's regular rate of pay; or, in compensatory time off (CTO) at the rate of one and one-half (1 ½) the time worked over forty hours. Time worked between 37.5 and 40 hours within a workweek by a non-exempt employee must be compensated at the employee's regular hourly rate of pay.”

We believe the other factor involved in the improper accrual of compensatory time is calculation and/or clerical errors on the part of agency personnel.

Finally, WVU's inability to provide authorized leave slips for compensatory leave taken by employees results in the University being unable to substantiate the personal services transactions involving said leave. In addition, the agency's inability to provide monthly compensatory leave balances for employees may lead to employees being granted use of compensatory time that has expired or was not earned. We believe the aforementioned instances of inadequate documentation supporting compensatory leave taken by the employees were the result of inadequate supervisory review of the employee's leave records by the employee's immediate supervisor and WVU's payroll function.

We recommend WVU comply with Section 778.102 of the Fair Labor Standards Act, Section 10.1 of Higher Education Policy Bulletin No. 35, and WVU's Policy WVU-HR-6.

**University's Response**

***The University is in compliance with Section 778.102 of the Fair Labor Standards Act, Section 10.1 of Higher Education Policy Bulletin No. 35, and WVU's Policy WVU-HR-6.***

***Verbal agreements had been established for the compensatory time. The practice of awarding CTO has been for emergencies only, which does not lend it to be effectively captured in a written agreement. As noted, WVU management has been effective in making verbal agreements since no disputes have been reported. However, to be in compliance, an annual agreement has been established, with the opportunity for the employee to change the method of compensation prior to accepting additional compensatory time.***

### Sick Leave Buy Back

During our examination of personal services, we noted two employees incorrectly reimbursed the University to restore the sick leave used prior to receiving Temporary Total Disability (TTD) benefits from the West Virginia Worker's Compensation Fund. One employee reimbursed the University \$334.88 to restore the sick leave used by her prior to receiving temporary total disability benefits from worker's compensation; however, we determined the employee should have reimbursed the facility \$306.70 resulting in an overpayment of \$28.18. The other employee reimbursed the University \$1,480.14 to restore her sick leave, but we determined this employee should have reimbursed the University \$2,094.03 resulting in an underpayment of \$613.90.

We believe these two occurrences would be in noncompliance with Chapter 23, Article 4, Section 1 of the West Virginia Code, as amended, which states in part,

**"Subject to the provisions and limitations elsewhere in this chapter set forth, the commissioner shall disburse the workers' compensation fund to the employees of employers subject to this chapter, which employees have received personal injuries in the course of and resulting from their covered employment...Provided, That in the case of any employees of the state and its political subdivisions...who have received personal injuries in the course of and resulting from their covered employment, such employees are ineligible to receive compensation while such employees are at the same time and for the same reason drawing sick leave benefits. Such state employees may only use sick leave for non-job related absences consistent with sick leave utilization, and may draw workers' compensation benefits only where there is a job related injury...Provided, however, That such employees may collect sick leave benefits until receiving temporary total disability benefits. The division of personnel shall promulgate rules pursuant to chapter twenty-nine a [§ 29A-1-1 et seq.] of this code relating to use of sick leave benefits by employees receiving personal injuries in the course of and resulting from covered employment: Provided further, That in the event an employee is injured in the course of and resulting from covered employment and such injury results in lost time from work, and such employee for whatever reason uses or obtains sick leave benefits and subsequently receives temporary total disability benefits for the same time period, such employee may be restored sick leave**

time taken by him or her as a result of the compensable injury by paying to his or her employer the temporary total disability benefits received or an amount equal to the temporary total disability benefits received. Such employee shall be restored sick leave time on a day for day basis which corresponds to temporary total disability benefits paid to the employer: . . . ." [Emphasis added.]

West Virginia University not receiving the correct amount from the employee for the buy back of sick leave may lead to the employee receiving more restored sick days than he/she was entitled to receive. We believe the aforementioned instances of incorrect reimbursements by employees for the buy back of sick leave used prior to the employee receiving TTD benefits from the Workers' Compensation Fund were the result of calculation errors on the part of University personnel.

We recommend WVU comply with Chapter 23, Article 4, Section 1 of the West Virginia Code, as amended.

*University's Response*

*The University makes every effort to comply with Chapter 23, Article 4, Section 1 of the West Virginia Code. This item is still under review. If it is determined that there is an error in our calculations, corrective action will be taken.*

## INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of cash receipts, disbursements and changes in fund balance of the Student Housing Fund of West Virginia University for the years ended June 30, 2000 and June 30, 1999. The financial statement is the responsibility of the management of West Virginia University. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenses paid of the Student Housing Fund of West Virginia University for the years ended June 30, 2000 and June 30, 1999, on the basis of accounting described in Note A.

Respectfully submitted,

  
Theodor L. Shanklin, CPA, Director  
Legislative Post Audit Division

August 31, 2001

Auditors: Michael E. Sizemore, CPA, Supervisor  
Neil M. McEachron, Jr., CPA, Auditor-in-Charge  
David N. Harris, CPA  
Thomas F. Ward, CPA  
David L. Penix

**WEST VIRGINIA UNIVERSITY**  
**STUDENT HOUSING FUND**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS**  
**AND CHANGES IN FUND BALANCE**

	<u>Year Ended June 30,</u>	
	<u>2000</u>	<u>1999</u>
<b>Cash Receipts:</b>		
Room and Board	\$19,732,936.43	\$18,085,097.46
Other Collections, Fees, Licenses and Income	4,517,622.83	5,743,427.97
Operating Funds Transfer	1,653,989.25	8,192.72
Investment Earnings	73,636.10	258,291.94
Bad Check Penalty Fee	90.00	924.16
Miscellaneous	<u>1,002.80</u>	<u>0.00</u>
	25,979,277.41	24,095,934.25
<b>Disbursements:</b>		
Personal Services	7,576,466.56	6,679,232.64
Employee Benefits	1,605,347.18	1,760,113.35
Current Expenses	8,862,490.55	7,534,850.51
Repairs and Alterations	400,815.69	519,863.90
Equipment	1,056,366.96	3,225,961.99
Payment of Taxes	5,146.65	2,460.03
Payment of Claims	200.00	740.00
Grants, Awards, Scholarships, and Loans	2,200.00	6,158.00
Bank Costs	46,197.02	0.00
Buildings	3,293,261.33	2,572,236.90
Refunds	<u>528,952.84</u>	<u>540,812.86</u>
	<u>23,377,444.78</u>	<u>22,842,430.18</u>
<b>Cash Receipts Over Disbursements</b>	2,601,832.63	1,253,504.07
<b>Beginning Balance</b>	<u>4,439,601.38</u>	<u>3,186,097.31</u>
<b>Ending Balance</b>	<u>\$ 7,041,434.01</u>	<u>\$ 4,439,601.38</u>

*See Notes to Financial Statement*

**WEST VIRGINIA UNIVERSITY**  
**STUDENT HOUSING FUND**  
**NOTES TO FINANCIAL STATEMENT**

**Note A - Accounting Policy**

Accounting Method: The cash basis of accounting was followed by the Student Housing Fund. Therefore, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

**Note B - Dormitory Refunding Revenue Bonds 1997 Series A  
and the Dormitory Revenue Bonds 1997 Series B**

The Bonds were issued under the provisions of the West Virginia Code of 1931, as amended, particularly Chapter 18. The Bonds were issued for the purpose of financing a portion of the costs of certain improvements to certain dormitories at West Virginia University and to reimburse the University for certain prior capital expenditures made for this purpose, as well as, to pay a portion of the costs of issuance of the Bonds.

The Bonds and the interest thereon are payable solely from and secured by a first lien on and pledge of the net revenues derived from the operation of all dormitories on the campuses of the University. The Bonds are not deemed to be general obligations or debts of the State of West Virginia as defined in the Constitution of West Virginia and the general credit and taxing power of the State of West Virginia is not pledged.

The 1997 Series A Bonds consist of \$8,005,000 Serial Bonds, with varying interest rates up to 5.0%, and mature serially through May 1, 2010 with a final maturity on May 1, 2017 and of \$5,705,000 of Term Bonds bearing interest of rates at 5.3% and 5.0%, maturing May 1, 2012 and May 1, 2016, respectively. The 1997 Series B Bonds are Term Bonds, bear interest at 5.0%, and mature on May 1, 2018 and May 1, 2022. The Term Bonds maturing May 1 during the years 2012, 2016, 2018 and 2022 are subject to mandatory redemption prior to maturity. The redemption price on the Term Bonds is equal to 100% of the principal amount plus accrued interest to the mandatory redemption date beginning May 1, 2011 through May 1, 2016 on the Series A Term Bonds and on May 1, 2017 through May 1, 2022 on the Series B Term Bonds. Beginning on November 1, 2007, the Bonds maturing on and after May 1, 2008, may be subject to redemption prior to maturity, at the option of the Board.

A summary of annual aggregate principal and interest payments for years subsequent to June 30, 2000, follows:

<u>Fiscal Year Ending June 30</u>	<u>1997 Series A</u>		<u>1997 Series B</u>		<u>Grand Total</u>
	<u>Principal Payments</u>	<u>Interest (Due May 1 and November 1)</u>	<u>Principal Payments</u>	<u>Interest (Due May 1 and November 1)</u>	
2001	\$ 535,000	\$ 599,302	\$ -0-	\$ 536,750	\$ 1,671,052
2002	555,000	577,368	-0-	536,750	1,669,118
2003	575,000	554,058	-0-	536,750	1,665,808
2004	600,000	529,332	-0-	536,750	1,666,082
2005	635,000	499,332	-0-	536,750	1,671,082
2006	665,000	467,582	-0-	536,750	1,669,332
2007	695,000	437,326	-0-	536,750	1,669,076
2008	730,000	405,356	-0-	536,750	1,672,106
2009	760,000	371,046	-0-	536,750	1,667,796
2010	800,000	334,946	-0-	536,750	1,671,696
2011	835,000	296,146	-0-	536,750	1,667,896
2012	880,000	251,890	-0-	536,750	1,668,640
2013	930,000	205,250	-0-	536,750	1,672,000
2014	970,000	158,750	-0-	536,750	1,665,500
2015	1 020,000	110,250	-0-	536,750	1,667,000
2016	1,070,000	59,250	-0-	536,750	1,666,000
2017	115,000	5,750	1,480,000	536,750	2,137,500
2018	-0-	-0-	1,675,000	462,750	2,137,750
2019	-0-	-0-	1,760,000	379,000	2,139,000
2020	-0-	-0-	1,845,000	291,000	2,136,000
2021	-0-	-0-	1,940,000	198,750	2,138,750
2022	<u>-0-</u>	<u>-0-</u>	<u>2,035,000</u>	<u>101,750</u>	<u>2,136,750</u>
Total	<u>\$12,370,000</u>	<u>\$5,862,934</u>	<u>\$10,735,000</u>	<u>\$10,558,000</u>	<u>\$39,525,934</u>

**Note C - Pension Plan**

All eligible employees are members of either the West Virginia State Teachers' Retirement System (STRS) or the Teachers' Insurance Annuity Association (TIAA). Effective July 1, 1991, STRS was closed to new participants.

For the West Virginia State Teachers' Retirement System, employees' contributions are 6.0% of their total annual salaries and employees are vested under certain circumstances. The University's contributions to the STRS were at the rate of 15.0% and 13.5% of each enrolled employee's total annual salaries for the years ended June 30, 2000 and 1999, respectively.

Each employee who participates in the Teachers' Insurance Annuity Association is required to contribute 6.0% of their total annual compensation. The University matches the employees' 6.0% contributions. Contributions are immediately and fully vested.

West Virginia University's pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>2000</u>	<u>1999</u>
Special Revenue	<u>\$373,849.43</u>	<u>\$386,732.88</u>

**STATE OF WEST VIRGINIA**

**OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:**

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

Given under my hand this 22<sup>nd</sup> day of October, 2001.

  
Theodford L. Shanklin, CPA, Director  
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to West Virginia Higher Education Policy Commission; Governor; Attorney General; and, State Auditor.