

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

**WEST VIRGINIA
DIVISION OF REHABILITATION SERVICES
GENERAL ADMINISTRATIVE FUND**

FOR THE PERIOD

JULY 1, 2000 - JUNE 30, 2002



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES

GENERAL ADMINISTRATIVE FUND

FOR THE PERIOD

JULY 1, 2000 - JUNE 30, 2002

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Theodore L. Shanklin, CPA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.



Area Code (304)
Phone: 347-4880
Fax: 347-4889

CHARLESTON, WEST VIRGINIA 25305-0610

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 general revenue accounts of the West Virginia Division of Rehabilitation Services.

Our examination covers the period July 1, 2000 through June 30, 2002. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Michael A. House".

Michael A. House, CPA, Supervisor
Legislative Post Audit Division

MAH/jdb

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES

TABLE OF CONTENTS

Exit Conference 1

Introduction 2

Administrative Officers and Staff 4

Summary of Findings, Recommendations and Responses 5

General Remarks 19

Independent Auditors' Opinion 75

Statement of Appropriations and Expenditures 76

Notes to Financial Statement 77

Supplemental Information 79

Certificate of Director,
Legislative Post Audit Division 86

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES

EXIT CONFERENCE

We held an exit conference on July 30, 2003 with the Interim Director and other representatives of the West Virginia Division of Rehabilitation Services and all findings and recommendations were reviewed and discussed. The agency'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 DIVISION OF REHABILITATION SERVICES

INTRODUCTION

The West Virginia Division of Rehabilitation Services (known formerly as the West Virginia State Board of Rehabilitation, Division of Rehabilitation Services) was established by the 1945 Legislature. The Division is governed by Chapter 18, Article 10A of the West Virginia Code. As such it is authorized and directed to cooperate with the Federal Rehabilitation Services Administration to provide rehabilitation services to West Virginians with disabilities.

The Governor appoints the Director of the Division, who recommends necessary personnel and establishes appropriate administrative units throughout the state. In order to observe the spirit and intent of the Federal Rehabilitation Act of 1973 and its amendments, the Director makes regulations, submits an annual report to governing bodies, and ensures disbursements of rehabilitation funds comply with the federal act, governing state laws, and other rules and regulations.

Under the oversight of the Secretary of Education, the Director operates the Division under state plans approved by the Rehabilitation Services Administration and the Social Security Administration through its two primary services units: the Client Services Section and the Disability Determination Service Section. The Director is authorized by law to receive gifts, determine eligibility for services, operate rehabilitation centers and workshops, promulgate rules for operation of such facilities in the state by public or voluntary agencies; to certify workshops as eligible to sell products to the state; and to receive federal vocational rehabilitation aid.

The wide variety of rehabilitation services provided by the Division can be grouped into one of four categories: (1) Medical; (2) Evaluative; (3) Independent Living, and (4) Vocational. The rehabilitative services offered by the Division requires a coordinated effort of numerous professional and support personnel including physicians, psychologists, therapists, social workers, counselors, teachers and aids.

In addition to its headquarters located in Institute, West Virginia, the Division has 31 field offices throughout the state. The field offices are divided into seven districts each having a designated manager and a staff of rehabilitation counselors and support personnel.

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES

ADMINISTRATIVE OFFICERS AND STAFF

JUNE 30, 2002

Janice A. Holland Interim Director

Donna Ashworth Interim Assistant Director,
Information Technology Services Senior Manager

Michael K. Meadows Client Services Assistant Director

S. Jane Johnstone Disability Determination Services Assistant Director

William L. Tanzey Center Services Assistant Director

Daniel Greene Fiscal Services Senior Manager

Brenda B. King Program and Policy Administration Senior Manager

Charles S. Lovely Field Services Senior Manager

William L. Tanzey Center Services Senior Manager

Charles Farmer Facilities Services Manager

David N. Gardner Administrative Services Manager

James P. Quarles Human Resources Manager

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES
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 observed noncompliance with the West Virginia Code and other applicable rules and regulations, the Division of Rehabilitation Services did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations.

Auditor's Recommendation

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

Agency's Response

No response from Agency. (See pages 19-23.)

RON YOST PERSONAL ASSISTANCE PROGRAM:

Contractual Payments Made Without Statutory Authority

2. Our examination revealed the Division entered into a fixed price agreement and made contractual payments totaling \$291,000.00 that were not statutorily authorized.

Auditor's Recommendation

We recommend the agency comply with Chapter 18, Article 10L, Section 4, of the West Virginia Code.

Agency's Response

The Division will comply with Chapter 18, Article 10L, Section 4, of the West Virginia Code by administering the program. Also the Division will comply with Section 11.2.F. of the State Purchasing Division's Agency Purchasing Manual. (See pages 23 and 24.)

Contract Improperly Processed As Grant

3. The \$291,000.00 fixed price agreement between the Division and the West Virginia Rehabilitation Center Foundation, Inc. was improperly processed as a grant. In addition, fixed price agreements between the Division and the West Virginia Statewide Independent Living Council, Inc. in the amounts of \$128,982.60 for the 2000 fiscal year and \$300,000.00 for fiscal year 2001 were also improperly processed as grants.

Auditor's Recommendation

We recommend the Division comply with Section 11.2.F. of the Department of Administration Purchasing Division Agency Purchasing Manual.

Agency's Response

The Division will comply with Chapter 18; Article 10L, Section 4, of the West Virginia Code by administering the program. Also the Division will comply with Section 11.2.F. of the State Purchasing Division's Agency Purchasing Manual. (See pages 24 and 25.)

Unauthorized Use of Expiring Funds

4. Our audit revealed that the Division used funds appropriated in one fiscal year to fund fixed price agreements with non-profit organizations in the next fiscal year. Expiring funds in the amount of \$127,284.60 which were appropriated for use in fiscal year 2000 were encumbered in June 2000 to fund an agreement for fiscal year 2001. In October of 2001 the Division arranged for the transfer of the unencumbered 2001 program balance of \$94,275.11 for use in fiscal year 2002. At the end of fiscal year 2002 the Division allowed an unencumbered program fund balance of \$114,470.49 to remain in the bank account of the non-profit for future use.

Auditor's Recommendation

We recommend the agency comply with Chapter 12, Article 3, Section 12 of the West Virginia Code, as amended, and the terms of the July 2, 2001, fixed price agreement.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 12 and Chapter 18, Article 10L, Section 4 of the West Virginia Code. The Division will instruct the Foundation to return the \$114,470.49 that remained unencumbered on June 30, 2002. These funds will be deposited into the General Revenue Fund. (See pages 25-27.)

Required Reassessments Not Documented

5. Division of Rehabilitation Services personnel could not provide documentation showing that reassessments and reviews ordered by Ron Yost Personnel Assistance Services Board had been performed.

Auditor's Recommendation

We recommend the agency comply with Section 4205.9 of its own Client Services Manual and Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

Agency's Response

The Division will comply with Section 4205.9 of its own Client Services Manual and Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended. We will put in place internal controls that will ensure compliance. (See pages 27 and 28.)

ADMINISTRATIVE:

Purchasing Procedures

6. We noted several 2002 fiscal year purchases and expenditures related to the Rehabilitation Center Hospital renovations were not processed through the State Purchasing Division.

The Division elected to order goods and services totaling \$129,812.90 on a room-by-room basis in lieu of planning for the entire project.

Auditor's Recommendation

We recommend the Division comply with Chapter 5A, Article 3, Section 10 of the West Virginia Code, as amended; Section 7.3.1 and Section 7.5 (Non-Competitive Procurement) of the Department of Administration - Purchasing Division's Legislative Rule, Title 148, Series 1 - Purchasing, as amended; and Section 3.0 of the Department of Administration - Purchasing Division's Agency Purchasing Manual, as amended.

Agency Response

Three bids were attached to each and every requisition questioned in this report and that the purchases in question took place over a ten month period of time. The Procurement Office will insure that written bids are attached for every non contract purchase over \$5000.00 but less than \$10,000.00 (requisitions of \$10,000.00 or more for non contract items will be sent to State Purchasing be they sole source or ones requiring public advertisement). Electronic Specialty requisitions for the hospital intercom system (Nurse call and fire alarm equipment, training of staff etc.) should have been processed through State Purchasing as a sole source acquisition. To insure compliance with state code and legislative rules, the Procurement Unit will be notified of any construction projects that will exceed \$10,000.00 for the total project and will be involved in any planning for said project. (See pages 28-35.)

Missing Documentation and Authorization

7. During the course of our audit, we noted several instances of missing supporting documentation for various transactions. We also noted several instances where

authorizations for various transactions were missing or incomplete. These instances are detailed below under individual headings.

Auditor's Recommendation

We recommend the agency comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, by retaining supporting documentation and properly authorizing transactions.

Approval of Extended Supported Employment Program Expenditures

- a. Two Extended Supported Employment vendor invoices totaling \$8,300.00 were not authorized in conformity with documented agency procedures.

Agency's Response

The Division will comply Chapter 5A, Article 8, Section 9 of the West Virginia Code as amended. The Division will put in place internal controls that will ensure compliance.

(See page 36.)

Improper Authorization of Ron Yost Payments To Recipients

- b. We discovered various documents supporting payments made to Ron Yost Personal Assistance Program recipients were not properly authorized. Consequently, the agency did not assure itself that services paid for were actually rendered.

Agency's Response

The Division will comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended. We will put in place internal controls that will ensure compliance.

(See pages 36 and 37.)

Authorization of Program Payments

- c. We found a number of Attendant Care Program payments were not properly authorized.

Agency's Response

The Division will comply with West Virginia Code Chapter 5A, Article 8, Section 9, as amended. The Division will put in place internal controls that will ensure compliance.

(See pages 37 and 38.)

Leave Charged Without Documentation

- d. During our audit period, we noted sick and/or annual leave deducted from the leave balances of two Division employees were not supported by leave applications.

Agency's Response

All full time employees are considered "salaried" and the DRS salaried, non-exempt employees do submit time sheets. There was a total of 10 missing leave slips among those requested for the audit. (See pages 38 and 39.)

Payroll Withholdings

- e. For the pay periods July 16, 2000, October 16, 2001, and December 14, 2001, the agency withheld an extra \$60.00 for federal taxes from the same employee when her W-4 indicated she wanted an extra \$15.00 withheld. This resulted in a \$135.00 difference in pay. There is no effect for the taxes since the employee would get the money back when she files her tax return.

Agency's Response

No response by the Agency. (See page 40)

Other Missing Documentation

- f. The agency could not locate various documents supporting payroll deductions and employment eligibility, grant documentation relating to an Extended Supported Employment Services payment, and authorizing support for a Technology Related

Assistance Loan Program loan. These aforementioned documents were not available for our review.

Agency's Response

The Division will comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and the Department of Immigration's Employment Verification instructions. (See pages 40 and 41 .)

Purchases Requiring Bids and Quotes

8. We found the Division of Rehabilitation Services is not preparing "Request For Quotations" and obtaining bids when required. Expenditures totaling \$50,904.22 from the General Administrative Fund - Capital Outlay - Restrooms (Fund 0310-301) were made without the Division preparing request for quotations indicating the specifications of the needed materials.

Auditor's Recommendation

We recommend the Division comply with Section's 3.2; 6.2; and 13.1 of the Department of Administration - Purchasing Division's Agency Purchasing Manual, as amended, Section 6.4.4 of the Department of Administration - Purchasing Division's Legislative Rule, Title 148, Series 1 - Purchasing, as amended, Section 6.1.3 of the Department of Administration - Purchasing Division's Agency Purchasing Manual, as amended, and utilize a Request for Quotations form to obtain bids.

Agency's Response

To comply with the Auditor's request regarding the usage of the WV 43 Request for Quotation the Agency will insure that the WV-43, Request for Quotation form are used

when soliciting bids for non contract goods/services costing 5,000.00 to 10,000.00. (See pages 41-45.)

Purchasing Authorizations

9. Purchases totaling \$35,597.27 charged to the General Administrative Fund - Capital Outlay - Restrooms (Fund 0310-301) did not have appropriate Division of Rehabilitation Services staff's approval.

Auditor's Recommendation

We recommend the Division comply with Section 709, Step 6 of its own purchasing procedures (Administrative Manual), as amended, and Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

Agency's Response

To insure that requisitions have the proper approvals, requisitions over \$1000.00 will be signed or initialed by the Manager of Administrative Services and by either his/her Assistant or by the Unit Secretary after confirming that the required signatures and bids are attached to the requisition prior to the assignment of a requisition number. (See pages 45-48.)

Authorization of Attendant Care Services Program Payments

10. A number of Attendant Care Program payments were not properly authorized and documentation supporting other attendant care payments were not maintained in accordance with statute or Division policy.

Auditor's Recommendation

We recommend the Division comply with Chapter 18, Article 10A, Section 4a of the West Virginia Code, and the provisions of its own Case Services Manual.

Agency's Response

The Division will comply with West Virginia Code Chapter 5A, Article 8, Section 9, as amended, Chapter 18, Article 10A, Section 4a, and the provisions of its own Case Service Manual. The Division will put in place internal controls that will ensure compliance. (See pages 48-51.)

ACCOUNTING:

Payments From Wrong Funds

11. During our audit period the Division charged payments totaling \$447,977.24 to the wrong funds. Consequently, the Division incurred obligations in excess of its General Administrative - Workshop Development Fund (Fund 0310-163) 2002 fiscal year appropriation by \$42,602.19.

Auditor's Recommendation

We recommend the agency comply with Chapter 12, Article 3, Sections 9 and 14 of the West Virginia Code.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 9 and 14 of the West Virginia Code as amended. We will put in place internal controls that will ensure compliance. (See pages 51-54.)

Improperly Authorizing Expenditure of Funds

12. Our audit revealed a number of payments and expense reimbursements were made in noncompliance with Chapter 12, Article 3, Section 9 of the West Virginia Code, as detailed below under individual headings.

Auditor's Recommendation

We recommend the agency comply with Chapter 12, Article 3, Sections 9 of the West Virginia Code.

Services Provided to the West Virginia Rehabilitation Association, Inc.

- a. The Division of Rehabilitation Services paid the West Virginia Rehabilitation Association, Inc., \$3,704.30 in fees for administering the Attendant Care Services Program during the 2002 and 2001 fiscal years; however, we found these payments were processed by Division employees while they were being paid by the Division of Rehabilitation Services.

Agency's Response

The association makes the payments to the attendants using its money and is reimbursed by state funds. All members of the association are or were employees of the Division. Next year, FY 2005, when the purchase order is renewed we will examine the fee to ensure that it is not excessive. (See pages 54 and 55.)

Expense Reimbursement

- b. The Division erroneously made a payment in the amount of \$2,457.55 from the Consolidated Federal Funds General Administrative Fund - Fund 8734-096 when the payment should have been made from the General Administrative - Capital Outlay - Restrooms (Fund 0310-301). Similarly, the Division reimbursed the Consolidated Federal Funds General Administrative Fund - Fund 8734-096 from the General Administrative Fund - Capital Outlay - Restrooms (Fund 0310-301), \$1,927.00 twice for the same expenditure.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 9 and Section 12 of the West Virginia Code. The Division will put in place internal controls that will ensure compliance. (See pages 55 and 56.)

Payment Processing

- c. We noted four invoices totaling \$21,944.00 were paid without any certification by the Division staff that the goods had been received. Consequently, we were unable to determine if vendor invoices were paid before the goods were received.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 9 West Virginia Code. The Division will put in place internal controls that will ensure compliance.

(See pages 56 and 57.)

Program Recipient Payments

- d. During our examination of the Attendant Care Services Program, we noted two program recipients were overpaid a total of \$239.31 and two program recipients were underpaid a total of \$7.72 during our audit period.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 9, of the West Virginia Code. We will put in place internal controls that will ensure compliance.

(See pages 57-60.)

Duplicate Payment

- e. We noted the Division paid an outside vendor twice for a \$144.75 invoice. In addition, the second time the Division paid the invoice, a \$9.00 error on the invoice was not detected

by Division staff resulting in the payment being more than the amount previously quoted by the vendor.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 9 of the West Virginia Code. The Division will put in place proper internal controls that will ensure compliance. The Division will contact the vendor and request reimbursement for the duplicate payment. (See pages 60 and 61.)

Payment Processing Fees

- f. We noted three instances the West Virginia Association, Inc. billed the Division of Rehabilitation Services for the incorrect amount and was overpaid a net total of \$109.50 during audit period.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 9 of the West Virginia Code. We will put in place internal controls that will ensure compliance. The Division will instruct the Association to refund the overpayment. These funds will be deposited into the General Revenue Fund. (See pages 61 and 62.)

Late Payment

13. The Division of Rehabilitation Services failed to make contract payments totaling \$248,417.00 and failed to pay invoices totaling \$27,160.09 to outside vendors within 60 days. In addition, we noted the agency failed to make grant payments totaling \$95,668.00 on a timely basis. Consequently, the Division could be liable for up to approximately \$2,247.18 in interest charges regarding the late contract and invoice payments.

Auditor's Recommendation

We recommend the agency comply with Chapter 5A, Article 3, Section 54 (b)(1) of the West Virginia Code, as amended.

Agency's Response

The Division will comply with Chapter 5A, Article 3, Section 54 (b)(1) of the West Virginia Code, as amended. The division will put in place an invoice tracking system that will ensure that uncontested invoices will be paid in 60 days. Aging reports will be generated on a monthly basis and be reviewed by management. (See pages 63-66.)

Erroneous Calculations of Termination Pay and Overtime

14. During our audit period, we noted five employees were not compensated the proper amount when they terminated employment. Consequently, a total overpayment was made to employees at termination of \$1,458.66 and a total underpayment was made to employees at termination of \$511.83.

Auditor's Recommendation

We recommend that Division of Rehabilitation Services comply with Chapter 5, Article 5, Section 3 of the West Virginia Code, Attorney General's Opinion Number 3 dated August 17, 1988, The West Virginia Division of Personnel Administrative Rule Chapter 29-6-10, Series I, 2000 amended, Section 14.3, The West Virginia Division of Personnel Administrative Rule Chapter 29-6-10, Series I, 2000 as amended, Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, Chapter 21, Article 5C, Section 3 of the West Virginia Code, the Attorney General Opinion No. 37 dated June 27, 1990, and the United States Department of Labor letter dated August 26, 1985.

Agency's Response

The Division will comply with Chapter 5, Article 5, Section 3 of the West Virginia Code, Attorney General's Opinion Number 3 dated August 17, 1998, The West Virginia Division of Personnel Administrative Rule Chapter 29-6-10, Series I, 2000 amended, section 14.3, The West Virginia Division of Personnel Administrative Rule Chapter 29-6-10, Series I, 2000 amended, Chapter 12, Article 3, Section 13 of the West Virginia Code , as amended, Chapter 21, Article 5C, Section 3 of the West Virginia Code, the Attorney General Opinion No. 37 dated June 27, 1990, and the United States Department of Labor letter dated August 26, 1985. The Division will put in place internal controls that will ensure compliance. (See pages 66-74.)

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the West Virginia Division of Rehabilitation Services' General Administrative Fund - Fund 0310. The examination covers the period July 1, 2000 through June 30, 2002.

COMPLIANCE MATTERS

We tested applicable sections of the West Virginia Code, plus the Division's legislatively approved rules and regulations, as well as, other rules, regulations, policies, and procedures as they pertain to fiscal 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 and other rules and regulations, the Division of Rehabilitation Services (the Division) did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations.

Chapter 5A, Article 8, Section 9(b) 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 head of each agency to have in place an effective system of internal controls in the form of policies and procedures to ensure the agency is in compliance with the laws, rules and regulations which govern it.

During the post audit of the Division of Rehabilitation Services, we found the following noncompliance with State laws and other rules and regulations: (1) The Division entered into a fixed price agreement and made payments totaling \$291,000.00 that were not statutorily authorized. The Division entered into the \$291,000.00 fixed price agreement with the West Virginia Rehabilitation Center Foundation, Inc. to administer the Ron Yost Personal Assistance Program (Ron Yost Program) during the 2002 fiscal year. (2) The fixed price agreement of \$291,000.00 between the Division and the West Virginia Rehabilitation Center Foundation, Inc. was improperly processed as a grant. In addition, fixed price agreements between the Division and West Virginia Statewide Independent Living Council, Inc. in the amounts of \$128,982.60 for fiscal year 2000 and \$300,000.00 for fiscal year 2001 were also improperly processed as grants. (3) The Division used funds appropriated for one fiscal year to fund fixed price agreements in another fiscal year. These funds should have expired and gone back into the general revenue fund. (4) Division personnel could not provide us with documentation showing that two reassessments and a review ordered by the Ron Yost Personal Assistance Services Board had been performed. (5) We noted several 2002 fiscal year purchases and expenditures totaling \$129,812.90 related to the Rehabilitation Center Hospital renovation were not processed through the State Purchasing Division. (6) We found several instances of missing supporting documentation for various transactions. We also found several instances where authorizations for various transactions were missing or incomplete. (a) Extended Supported Employment invoices totaling \$8,300.00 were not signed by the Rehabilitation Services

Associate as required by Division procedures. (b) Our audit revealed the agency processed 32 predated Ron Yost Personal Assistance Program time sheets for personal assistants, and a time sheet missing the personal assistant's signature. Therefore, the Division did not assure itself that services paid for were actually rendered. In addition, the agency issued a Program check without two authorizing signatures. Consequently, the Division did not know if the transaction was properly authorized. (c) We found several Attendant Care Services Program payments were not properly authorized. (d) During our audit period, we noted two employee's sick or annual leave deducted from their balances were not supported by Applications for Sick or Annual Leave. (e) For three pay periods, the Division withheld an extra \$60.00 for federal taxes from the same employee when her W-4 indicated she wanted an extra \$15.00 withheld. (f) The Division was unable to provide us with documentation supporting payroll deductions, employment eligibility for some employees, grant documentation supporting a \$3,050.00 Extended Employment Services payment or an approval letter for a \$2,200.00 Technology Related Assistance Revolving Loan payment to a Program recipient. (7) We found the Division is not preparing "Request For Quotations" and obtaining bids for purchases when required. Expenditures totaling \$50,904.22 from the General Administrative Fund - Capital Outlay - Restrooms (Fund 0310-301) were made without the Division preparing request for quotations indicating the specifications of the needed materials. (8) Expenditures totaling \$35,597.27 charged to the General Administrative Fund - Capital Outlay - Restrooms (Fund 0310-301) did not have appropriate Division staff's purchasing approval. (9) A number of Attendant Care Services Program payments were not properly authorized and documentation supporting other attendant care payments were not maintained in accordance with statute or Division policy. (10) Various payments were charged to the wrong funds, had all expenses been charged to the proper

fund, the Division would have over obligated its General Administrative - Workshop Development Fund (Fund 0310-163) 2002 fiscal year appropriation by \$45,236.05 and its 2001 fiscal year appropriation by \$138,468.71. (11) Our audit revealed a number of payments and expense reimbursements were made in noncompliance with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended. (a) We noted the Division paid the Rehabilitation Association, Inc., \$3,704.30 in fees for administering the Attendant Care Services Program even though the payments were processed by Division employees while they were being paid by the Division of Rehabilitation Services. (b) We noted the agency improperly accounted for a \$2,457.55 expense reimbursement from the General Administrative Fund - Capital Outlay - Restrooms (Fund 0310-301) to the Consolidated Federal Funds General Administrative Fund (Fund 8734-096). Similarly, the Division reimbursed the Consolidated Federal Funds General Administrative Fund (Fund 8734-096) \$1,927.00 from the General Administrative Fund - Capital Outlay - Restrooms (Fund 0310-031) twice for the same expenditures. (c) We noted four invoices totaling \$21,944.00 were paid without certification by the Division's staff that the goods had been received. We were unable to determine if the invoices were paid before the goods had been received. (d) Two Attendant Care Services Program recipients were overpaid a total of \$239.31 and one program recipient was underpaid \$5.15 during the 2002 fiscal year. One program recipient was underpaid \$2.57 during the 2001 fiscal year. (e) The Division of Rehabilitation Services paid an outside vendor twice for an \$144.75 invoice. In addition, the second time the Division paid the invoice, a \$9.00 invoice error was not detected by Division staff. (f) The Division paid the Association \$109.50, including related processing fees, for payments that were never made to the Attendant Care Services Program recipient. (12) The Division failed to make contract payments totaling \$248,417.00, grant payments totaling \$95,668.00,

and failed to pay invoices totaling \$27,160.09 to outside vendors within 60 days. Consequently, the Division could be liable for up to \$2,247.18 in late payment interest in regards to the contract payments and vendor invoices. (13) We found the Division overpaid four employees a total of \$1,458.66 and underpaid two employees \$511.83 at termination. In addition, the agency is incorrectly using the amount of increment an employee was to be paid the previous July when determining the employee's overtime rate.

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

Agency's Response

No response by the Agency.

RON YOST PERSONAL ASSISTANCE PROGRAM:

Contractual Payments Made Without Statutory Authority

Our examination revealed the Division entered into a fixed price agreement and made contractual payments totaling \$291,000.00 that were not statutorily authorized. The Division entered into the fixed price agreement with the West Virginia Rehabilitation Center Foundation Inc. to administer the Ron Yost Personal Assistance Program during the 2002 fiscal year. Chapter 18, Article 101, Section 4 of the West Virginia Code states in part:

“The personal assistance services program shall be administered by the division of rehabilitation services through the state plan for independent living and managed by the West Virginia statewide independent living council...”

Although the Division of Rehabilitation Services is authorized by the West Virginia Code to contract with private or public organization to administer other Division programs, the statute governing the Ron Yost Personal Assistance Program does not grant the Division this authority.

We were unable to determine why the agency contracted with the Foundation to administer the program. However, the Division through the fixed price agreement paid a non-profit organization to perform a function that the Division is required by law to perform.

We recommend the agency comply with Chapter 18, Article 10L, Section 4, of the West Virginia Code.

Agency's Response

The Division contracted with the West Virginia Rehabilitation Center Foundation to administer the Ron Yost Program to ensure that the attendants would be paid at the end of each pay period.

The Division will comply with Chapter 18, Article 10L, Section 4, of the West Virginia Code by administering the program. Also, the Division will comply with Section 11.2.F. of the State Purchasing Division's Agency Purchasing Manual.

Contract Improperly Processed As Grant

The fixed price agreement of \$291,000 between the Division and the West Virginia Rehabilitation Center Foundation Inc. was improperly processed as a grant. In addition, fixed price agreements between the Division and WV Statewide Independent Living Council, Inc. in the amounts of \$128,982.60 for fiscal year 2000 and \$300,000.00 for fiscal year 2001 were also

improperly processed as grants. All of the agreements, as processed, included a list of both services and deliverables to be provided to the Division. The Department of Administration Purchasing Division Agency Purchasing Manual Section 11.2 F. states:

“Grants: Grants essentially permit a state agency to receive or direct funds to another organization with specific instructions defined by the originating agency as to how the funds are to be utilized. The state agency granting the funds must not receive a finished deliverable product, or receive a direct service benefit.”

Processing the agreement as a grant allows the Division to circumvent the requirement for all contracts in excess of \$10,000 to be competitively bid by the Purchasing Division. We were unable to determine a reason why the contract was processed as a grant.

We recommend the Division comply with The Department of Administration Purchasing Division Agency Purchasing Manual Section 11.2 F.

Agency's Response

The Division contracted with the West Virginia Rehabilitation Center Foundation to administer the Ron Yost Program to ensure that the attendants would be paid at the end of each pay period.

The Division will comply with Chapter 18, Article 10L, Section 4, of the West Virginia Code by administering the program. Also the Division will comply with Section 11.2.F. of the State Purchasing Division's Agency Purchasing Manual.

Unauthorized Use of Expiring Funds

Our audit revealed that the Division used funds appropriated in one fiscal year to fund fixed price agreements with non-profit organizations in the next fiscal year. Expiring funds in the

amount of \$127,284.60 which were appropriated for use in fiscal year 2000 were encumbered in June 2000 to fund an agreement for fiscal year 2001. In October of 2001 the Division arranged for the transfer of the unencumbered 2001 program balance of \$94,275.11 for use in fiscal year 2002. At the end of fiscal year 2002 the Division allowed an unencumbered program fund balance of \$114,470.49 to remain in the bank account of the non-profit for future use.

West Virginia Code Chapter 12, Article 3, Section 12 states in part:

“Every appropriation which is payable out of the general revenue, or so much thereof as may remain undrawn at the end of the year for which made, shall be deemed to have expired at the end of the year for which it is made, and no warrant shall thereafter be issued upon it: Provided, That warrants may be drawn through the thirty-first day of July after the end of the year for which the appropriation is made if the warrants are in payment of bills for such year and have been encumbered by the budget office prior to July first..”

Section III of the July 2, 2001 fixed price agreement by and between the Division of Rehabilitation Services and the Rehabilitation Center Foundation, Inc. states in part,

“...Any funds remaining unencumbered on June 30, 2002 will be returned to the Division.”

The Division failed to expire \$127,284.60 from it's Ron Yost Personal Assistance Program Fund (Fund 0310-407) 2000 fiscal year appropriation. These funds should have expired and gone back into the General Revenue Fund. In addition, the unencumbered balances of \$94,275.11 and \$114,470.49 should have been returned to the Division and expired, with the funds going back into general revenue.

The use of expiring funds to improperly fund contracts after the appropriations had expired, was facilitated by the processing of the transactions as grants when they did not meet the necessary requirements of a grant.

We recommend the agency comply with Chapter 12, Article 3, Section 12 of the West Virginia Code, as amended, and the terms of the July 2, 2001 fixed price agreement.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 12 and Chapter 18, Article 10L, Section 4 of the West Virginia Code. We have employed an accountant who will be responsible for monitoring all grants to ensure that the terms of the grants are followed. Grantees will be required to make quarterly financial reports which will be reviewed by management and to return any unencumbered funds remaining when the contract expires.

The Division will instruct the Foundation to return the \$114,470.49 that remained unencumbered on June 30, 2002. These funds will be deposited into the General Revenue Fund.

Required Reassessments Not Documented

Division of Rehabilitation Services personnel could not provide us with documentation showing that reassessments and reviews ordered by Ron Yost Personal Assistance Services Board had been performed. The award letters from the Board indicated one Ron Yost Program recipient was to be reassessed and reviewed on June 6, 2001 and another was to be reassessed in September of 2000.

Section 4205.9 of the Client Services Manual states, in part:

“Annual Reviews. Recipients of financial assistance for personal assistance services shall be reviewed after one year of service has been rendered to determine continuing need. After the first year, reviews may be requested by the Independent Living Council, RYPAS Board, or recipient as needed, specifically when physical, residential, or marital status changes....”

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 . . .”

Without the reassessment and review forms, we were unable to determine if recipient eligibility would have increased, decreased, remained the same, or terminated.

We recommend the agency comply with Section 4205.9 of its own Client Services Manual and Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

Agency’s Response

The Division will comply with Section 4205.9 of its own Client Services Manual and Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended. We will put in place internal controls that will ensure compliance. One of these controls will be that no payment will be made under the Ron Yost Program by the fiscal services section without a copy of the reassessment. This reassessment must be attached to the first authorization for payment and will be kept on file in the fiscal office.

ADMINISTRATIVE:

Purchasing Procedures

We noted several 2002 fiscal year purchases and expenditures related to the Rehabilitation Center Hospital renovations were not processed through the State Purchasing Division. Specifically, we found the Division paid several invoices totaling \$67,991.22 that individually were less than \$10,000 each but when they were combined with other invoices from the

same vendor and for the same products/services, the purchases would have exceeded \$10,000. These purchases are reflected in the following table:

GENERAL ADMINISTRATIVE FUND - CAPITAL OUTLAY - RESTROOMS - (FUND 0310-301)
PURCHASES NOT COMPETITIVELY BID THROUGH THE STATE PURCHASING DIVISION

<u>WVFIMS</u> <u>Document ID</u>	<u>Vendor</u>	<u>Transaction</u>		<u>Division Purchase</u>	<u>Description</u>
		<u>Date</u>	<u>Amount</u>	<u>Requisition</u> <u>Number</u>	
I005412430	Hajoca Corp	6/26/02	\$ 9,950.00	02-5193	Shower Units
I005363888	Hajoca Corp	5/28/02	9,900.00	02-5035	"
I005238248	Hajoca Corp	3/12/02	7,560.00	02-3964	"
I005131573	Hajoca Corp	12/18/01	6,800.00	02-3172	"
I005131569	Hajoca Corp	12/18/01	6,800.00	02-3675	"
I005475119 *	DIRECT SUPPLY INC	7/31/02	9,894.22	02-5023	Televisions
I005111916	AWNWINDOW MFG CO INC	12/5/01	4,721.00	02-3833	Supply/Install Window Units
I005363863	AWNWINDOW MFG CO INC	5/23/02	4,270.00	02-5205	"
I005111914	AWNWINDOW MFG CO INC	12/5/01	2,912.00	02-3408	"
I005012859	AWNWINDOW COMPANY INC	9/26/01	2,596.00	02-3188	"
I005289011	AWNWINDOW COMPANY INC	4/16/02	<u>2,588.00</u>	02-4917	"
			Total	<u>\$67,991.22</u>	

* - This purchase requisition was originally for 34 television sets @ \$291.76 each totaling \$9,919.84, *excluding shipping costs for which the amount was not specified by the vendor*. The office assistant who requisitioned the order stated that some of these television sets were received but had to be returned to the vendor because they only had one cable connection on them and the Division needed sets with two cable connections. The Division modified the purchase quantity and specifications to 29 television sets costing \$9,894.22, which *included shipping costs*. Documentation in the invoice's file indicated the Division had received a verbal bid of \$12,613.66 from American Health Care for the original solicitation of 34 television sets.

We also tested eight transactions in which the Division purchased plumbing supplies from Hajoca Corporation (also known as Weslakin Corporation—same FEIN number) for a total of

\$13,321.29; however, the Division purchase requisition's applicable to these invoices authorized other plumbing purchases from the company that we found were billed and paid under additional vendor invoices not included in our sample. We reviewed the additional vendor invoices to determine if they were included as part of the requisition. The total amount paid under the identified purchase requisitions for plumbing supplies was \$21,961.58 (including the eight invoices we tested) as detailed in the following table:

**GENERAL ADMINISTRATIVE FUND - CAPITAL OUTLAY - RESTROOMS - (FUND 0310-301)
 PLUMBING SUPPLY PURCHASES FROM HAJOCA CORPORATION
THAT WERE NOT COMPETITIVELY BID THROUGH THE STATE PURCHASING DIVISION**

<u>WVFIMS Document ID</u>	<u>FIMS</u>		<u>Total Invoices paid under the Division Purchase Requisitions related to the tested transactions</u>		
	<u>Date</u>	<u>Amount</u>	<u>Number</u>	<u>Date</u>	<u>Amount</u>
I005131577	12/18/01	\$ 1,155.20	02-3623	9/6/01	\$ 1,696.45
I005174397	1/22/02	1,225.80	02-4174	11/26/01	1,325.20
I005203006	2/7/02	1,187.20	02-3346	7/27/01	1,850.20
I005259060 *	3/15/02	1,937.86	02-4746	2/13/02	3,373.80
I005264453 *	3/21/02	291.28	02-4834	2/26/02	291.28
I005284117	4/8/02	2,597.40	02-4949	2/28/02	6,180.40
I005363891	5/23/02	3,178.60	02-5060	3/26/02	3,263.40
I005395534	6/12/02	<u>1,747.95</u>	02-5359	5/6/02	<u>3,980.85</u>
	Tested Invoice Total	<u>\$13,321.29</u>		Division Requisition Total	<u>\$21,961.58</u>

* These invoices were paid out of the Consolidated Federal Funds General Administrative Fund (Fund 8734-096), but were later reimbursed by the General Administrative Fund - Capital Outlay - Restrooms (Fund 0310-301), via WVFIMS Document E000449766 on May 20, 2002.

We also noted the Division did not have \$39,860.10 in sole-source purchases approved by the State Purchasing Division as shown in the following table.

GENERAL ADMINISTRATIVE FUND - CAPITAL OUTLAY - RESTROOMS (FUND 0310-301) SOLE SOURCE PURCHASES OF PILLOW STATIONS FROM ELECTRONIC SPECIALTY COMPANY EXCEEDING \$10,000 NOT APPROVED BY THE STATE PURCHASING DIVISION.

<u>WVFIMS Document ID</u>	<u>Date</u>	<u>Transaction Amount</u>	<u>Division Purchase Requisition Number</u>
1005238246	3/12/02	\$ 3,600.00	02-4282
1005239077	3/12/02	4,998.00	02-3309
1005239079	3/12/02	5,786.00	02-3601
1005395515	6/12/02	5,786.00	02-4169
1005401559	6/14/02	5,786.00	02-4618
1005401563	6/14/02	2,725.10	02-5141
1005475120	7/31/02	4,798.00	02-5239
1005475307	7/31/02	<u>6,381.00</u>	02-4921
	Total	<u>\$39,860.10</u>	

Chapter 5A, Article 3, Section 10 of the West Virginia Code, as amended, states in part:

“A purchase of and contract for commodities, printing and services shall be based, whenever possible, on competitive bids. The director shall solicit sealed bids for the purchase of commodities and printing which is estimated to exceed ten thousand dollars. No spending unit shall issue a series of requisitions which would circumvent this ten thousand dollar maximum. . . .”

Section 7.3.1 of the Department of Administration–Purchasing Division’s Legislative

Rule, Title 148, Series 1 - Purchasing, as amended, states:

“Purchases of commodities and printing **estimated** to be in excess of \$10,000 are made by the Purchasing Division in the form of sealed bids.” **(Emphasis added).**

Section 3.0 of the Department of Administration–Purchasing Division’s Agency

Purchasing Manual, as amended, states in part:

“PROCUREMENT PLANNING: Effective purchase of needed commodities and services begins with proper planning. . . . This requires an awareness of the purchasing objective: Providing for suitable products and services of the proper quality and in the proper quantity at the time and place necessary, and **all at the lowest possible cost. . . .**” **(Emphasis added).**

In relation to the “sole source” purchases made by the Division, Section 7.5. (Non-Competitive Procurement) of the Department of Administration–Purchasing Division’s Legislative Rule, Title 148, Series 1 - Purchasing, as amended, states:

“The **Director of Purchasing** may approve the purchase of commodities and/or printing directly from a vendor without competitive bidding, if any of the following conditions exist:

- (a.) The item cannot be obtained through ordinary purchasing procedures.
- (b.) The item is unique and not available from any other source.
- (c.) The item is available from a State spending unit or other institution with preference under the West Virginia Code, provided the price, availability, and quality are comparable to those in the open market.” *(Emphasis added)*.

The Division elected to order goods/services on a room-by-room basis throughout the project period rather than plan for the total goods/services that would be needed for the entire project. The Division’s Facilities Services Manager, stated another reason the Division chose not to order materials in larger quantities was due to a lack of storage space; however, the Division could have specified various delivery dates in the request for bids, if storage space was limited. The State Purchasing Division serves to ensure that large dollar purchases of goods/services by State agencies under its jurisdiction are competitively bid to maximize savings to both the agencies it serves and the taxpayers. Further, effective planning of the purchases of goods/services is a critical element of the procurement process. This methodology is especially true for large construction or renovation projects for which an agency can reasonably expect to purchase large quantities of similar goods/services over a period of time. Had the Division’s procurement unit taken a more active role in the project’s planning phase, it would have recognized that the above purchases could reasonably

have been expected to exceed \$10,000, thus requiring State Purchasing Division's approval and competitive bidding.

We recommend the Division comply with Chapter 5A, Article 3, Section 10 of the West Virginia Code, as amended; Section 7.3.1 and Section 7.5 (Non-Competitive Procurement) of the Department of Administration–Purchasing Division's Legislative Rule, Title 148, Series 1–Purchasing, as amended; and Section 3.0 of the Department of Administration–Purchasing Division's Agency Purchasing Manual, as amended.

Agency's Response

Most of the responses to the questions about items ordered for the hospital renovations can be qualified by reiterating the fact that we just do not have space available to store/warehouse large items. Assuming that we had State Purchasing advertise our shower units at one time, it is doubtful that any vendor would agree to deliver the units to us when we needed them over a 10 – 12 month period of time knowing that they would not be paid until all had been delivered. Since the work would be done by our own maintenance people there would be no guarantees that they would work continuously on this project. Many times during the renovation project workers had to be pulled off to do other more pressing work (i.e., repairing water main leaks, repair plumbing and electrical problems elsewhere in the complex etc.). If we had the vendors deliver the supplies/equipment over this same 10 – 12 month period and then not pay them until all items had been accepted we would most certainly be in violation of other auditing procedures. Purchases were also made for the construction project as the work dictated. If we were at the point of renovation when plumbing supplies were needed, we ordered plumbing supplies the same held true for electrical supplies/equipment and also for windows.

Three bids were attached to each and every requisition questioned in this report and that the purchases in question took place over a ten month period of time.

Problems with the television purchase. Bids were originally secured for 34 sets from Electronic Supply (Written No Bid), American Health Care (verbal No Bid) and Direct Supply (Written \$291.76). The order was placed with Direct Supply but when the TV's arrived, they were not the sets we wanted. We needed a set with two cable connections and this set only had one. We then returned these to Direct Supply and obtained bids from the following vendors for 29 sets, after determining that we did not need the 34 originally requested, from Direct Supply (written \$341.18), Sodaro's (written no bid), American Hotel Register (verbal no bid), Capitol Business Interiors (verbal no bid) and Electronic Specialty Company (verbal no bid). The bid sheet is attached. Since Ms. Holland had approved the original requisition for 34 sets at a cost of \$9,919.84 and the new req. was for 29 units at a cost of \$9895.22 (less than the originally approved amount), I did not have her to sign the requisition again. I know of nothing that states she has to approve such changes. If this were the case then she would have to re-approve every requisition sent to State Purchasing that would go out on bid. Those prices are always different from the estimated price and no such re-approval is required.

The Procurement Office will insure that written bids are attached for every non contract purchase over \$5000.00 but less than \$10,000.00 (requisitions of \$10,000.00 or more for non contract items will be sent to State Purchasing be they sole source or ones requiring public advertisement).

Electronic Specialty requisitions for the hospital intercom system (Nurse call and fire alarm equipment, training of staff etc.) should have been processed through State Purchasing

as a sole source acquisition. Though it is true that Electronic Specialty is the sole source vendor for Rauland Products in the State of West Virginia our purchases total more than \$10,000.00. Requisitions for that amount MUST have State Purchasing approval. It is true that this company installed and maintains our existing equipment and we are keeping everything from the former system that we can possibly use but that is no excuse for our not getting State Purchasing's approval.

To insure compliance with state code and legislative rules, the Procurement Unit will be notified of any construction projects that will exceed \$10,000.00 for the total project and will be involved in any planning for said project.

Missing Documentation and Authorization

During the course of our audit, we noted several instances of missing supporting documentation for various transactions. We also noted several instances where authorizations for various transactions were missing or incomplete. These instances are detailed below under individual headings.

Chapter 5A, Article 8, Section 9(b) 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....”

We recommend the Division comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, by retaining supporting documentation and properly authorizing transactions.

a. **Approval of Extended Supported Employment Program Expenditures**

Extended Supported Employment invoices were not signed by the Rehabilitation Services Associate as required by agency procedures. During the period July 1, 2000 - June 30, 2002, we noted two instances where invoices for supported employment were not signed by the Associate. One payment was to Hagerstown Goodwill for \$2,750.00 and one was to Job Squad Inc. for \$5,550.00. Both payments consisted of more than one invoice; however, none of the invoices contained the certification stamp signed by the Associate.

We were unable to adequately determine why the payments were not properly approved.

Agency's Response

The Division will comply Chapter 5A, Article 8, Section 9 of the West Virginia Code as amended. The Division will put in place internal controls that will ensure compliance. Some of the internal controls will focus on the documentation required to pay a transaction, and the responsibilities of the employee auditing the transaction and the employee approving the transaction.

b. **Improper Authorization of Ron Yost Program Payments To Recipients**

We discovered various documents supporting payments made to Ron Yost Program recipients were not properly authorized. Out of 95 documents examined, we noted 32 instances where the personal assistant signed their time sheets before the last day in the applicable pay period and one instance where the personal assistant did not sign the time sheet at all. We found one check, of 124 examined, payable to a program recipient had only one authorizing signature. These program checks are required to have two authorizing signatures.

By processing the pre-dated time sheets and the time sheet with the missing personal assistant signature, the agency did not assure itself that services paid for were actually rendered. By issuing a check without both authorizing signatures, the agency did not know if the transaction was properly authorized.

Agency's Response

The Division will comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended. We will put in place internal controls that will ensure compliance. One of those controls will be a checklist that will be completed by the employee auditing the transaction and the employee completing the transaction. The checklist will contain information required for proper documentation as well as program requirements.

c. **Authorization of Program Payments**

The Division of Rehabilitation Services contracted with the West Virginia Rehabilitation Association, Inc. to administer the Attendant Care Services Program. We found several program payments were not properly authorized. Our examination of Association records revealed:

Two Instances - Association check not countersigned.

We found two West Virginia Rehabilitation Association, Inc. checks (number 5557 and number 5831) payable to program recipients only had the signature of the Fiscal Services Senior Manager although the Association's checks require a countersignature.

Two Instances - Personal Care Attendant Plans not signed by Division client.

Two program participants did not sign their 2002 fiscal year Personal Care Attendant Plans.

One Instance - Application for Personal Care Attendant Services (WVDRS 125)

The Division could only provide us with an Application for Personal Care Attendant Services - WVDRS 125 form that was dated June 30, 2002 for one program recipient. The form was dated after our test period in which the recipient had already received payments from the Association.

The Division did not ensure program payments were properly authorized; therefore, we could not determine if some clients had been properly approved to participate in the program.

Agency's Response

The Division will comply with West Virginia Code Chapter 5A, Article 8, Section 9, as amended, Chapter 18, Article 10A, Section 4a, and the provisions of its own Case Service Manual. The Division will put in place internal controls that will ensure compliance. One of these controls will be a checklist that must be completed by the employee auditing the transaction and the employee approving the transaction for payment. The checklist will contain information that ensures compliance.

No payment will be made to a participant of this program without a copy of the reevaluation. The reevaluation must be attached to the first authorization of the fiscal year. This document will be kept on file in the fiscal office.

The employee who approves the transaction will be responsible for checking the mathematical calculations, the vendor name and address, the object code, the fund and on the first payment of each fiscal year, the reevaluation.

d. **Leave Charged Without Documentation**

During our audit period, we noted two employee's sick or annual leave deducted from their balances were not supported by Applications for Sick or Annual Leave. The following chart

indicates the month the leave was deducted from the employee's leave balance and how many hours of leave deducted was not supported by an Application:

Employee # 1	2.75 Hrs. SL	September 2000	\$22.49 Hr. Rate	\$61.85 Total
Employee # 1	0.25 Hrs. AL	September 2000	\$22.49 Hr. Rate	\$ 5.62 Total
Employee # 2	21.75 Hrs. AL	November 2000	\$22.60 Hr. Rate	\$491.55 Total
Employee # 3	152.25 Hrs. SL	January 2002	\$1,857.33 Monthly Rate w/ An. Inc.	

(This individual took the entire month of January off. He retired effective January 31, 2002.)

The following schedule indicates the month the leave was deducted from the employee's leave balance and how many hours of leave were not supported by an Application:

Employee # 4	October 2001	2 Hours Sick Leave
Employee # 5	July 2000	50.75 Hours Annual Leave
Employee # 6	September 2000	14.50 Hours Annual Leave
Employee # 7	March 2001	2 Hours Sick Leave
Employee # 8	October 2001	7.25 Hours Sick Leave
Employee # 8	December 2001	36.25 Hours Annual Leave

Because of the absence of employee Request for Leave forms, we could not determine whether an employee's leave was properly approved or recorded. Since the agency does not require their salaried exempt employees to submit time sheets, we were unable to determine the employee actually took the leave that was deducted from his/her balance. Consequently, employees could dispute if leave was ever, in fact, taken. Additionally, without the Leave Request forms we will not be able to properly verify the accuracy of the annual and sick leave balances.

Agency's Response

The statement at bottom of page 35..."Since the agency does not require their salaried employees to submit time sheets, we were unable to determine..." This statement is incorrect as all full time employees are considered "salaried" and the DRS salaried, non-exempt employees do submit time sheets.

There was a total of 10 missing leave slips among those requested for the audit.

e. **Payroll Withholdings**

For the pay periods July 16, 2000, October 16, 2001, and December 14, 2001, the agency withheld an extra \$60.00 for federal taxes from the same employee when her W-4 indicated she wanted an extra \$15.00 withheld. This resulted in a \$135.00 difference in pay.

There is no effect for the taxes since the employee would get the money back when she files her tax return.

Agency's Response

No response by the Agency

f. **Other Missing Documentation**

In conjunction with our test of personal services, the Division of Rehabilitation Services was unable to provide us with four insurance deduction authorization forms, and one Department of Immigration's Employment Eligibility Verification "I-9" form. The United States Department of Immigration's Employment Eligibility Verification instructions for employers, states in part:

"The Immigration Reform and Control Act made all U.S. employers responsible to verify the employment eligibility and identity of all employees hired to work in the United States after November 6, 1986. To implement the law, employers are required to complete Employment Eligibility Verification forms (Form I-9) for all employees, including U.S. citizens."

Grant documentation relating to an Extended Supported Employment Services payment to Eastern Panhandle Training Center for the amount of \$3,050.00 could not be located. This payment was made on FIMS document number I004816907 in FY 2001. In addition, we requested the support for the payments made to all of the Division's Technology Related Assistance

Revolving Loan Program recipients for our audit period. Agency personnel did not supply us with an approval letter and the WV-1A (Vendor Registration and Disclosure Statement) for one loan recipient. The recipient received a loan of \$2,200.00 in January 2001.

Since some of the supporting documents were unavailable for review, we were unable to determine if the proper amount was deducted from employees' pay or if some of the deductions were properly authorized. In addition, we were unable to determine an "extended supported employment" vendor and a Division technology loan fund recipient received the correct amount.

Agency's Response

As for the four insurance deductions, these were supplemental insurances which by review of records, began many years prior to 1990 and no forms were located.

There was one I-9, Immigration Employment verification form missing of those requested.

The Division will comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and the Department of Immigration's Employment Verification instructions. The Division will put in place internal controls that will ensure compliance. The focus of some of the internal controls will be on the proper documentation required to be maintained at the Division and will also address access to documentation.

Purchases Requiring Bids and Quotes

We found the Division of Rehabilitation Services is not preparing "Request For Quotations" and obtaining bids when required. Expenditures totaling \$50,904.22 from the General Administrative Fund - Capital Outlay - Restrooms (Fund 0310-301) were made without the Division preparing request for quotations indicating the specifications of the needed materials.

**GENERAL ADMINISTRATIVE FUND - CAPITAL OUTLAY - RESTROOMS (FUND 0310-301) PURCHASES
OVER \$5,000 FOR WHICH THE DIVISION DID NOT PREPARE A REQUEST FOR QUOTATION.**

<u>WVFIMS Document ID</u>	<u>Vendor</u>	<u>Transaction</u>		<u>Division Purchase Requisition Number</u>
		<u>Date</u>	<u>Amount</u>	
I005412430	HAJOCA CORP	6/26/02	\$ 9,950.00	02-5193
I005363888	HAJOCA CORP	5/28/02	9,900.00	02-5035
I005475119	DIRECT SUPPLY INC	7/31/02	9,894.22	02-5023
I005238248	HAJOCA CORP	3/12/02	7,560.00	02-3964
I005131573	HAJOCA CORP	12/18/01	6,800.00	02-3172
I005131569	HAJOCA CORP	12/18/01	<u>6,800.00</u>	02-3675
		Total	<u>\$50,904.22</u>	

Section 3.2 of the Department of Administration–Purchasing Division’s Agency Purchasing Manual, as amended, states in part:

“Specifications: Specifications can either enhance or inhibit competition. It is state policy that competition be sought to the maximum feasible degree. This can be accomplished by describing products and services in a manner which meets the agency’s needs and encourages competition. . . .”

Section 6.2 of the Department of Administration–Purchasing Division’s Agency Purchasing Manual, as amended, states in part:

“. . . An RFQ consists of: (1) a detailed description of, or specification for, the item(s) being purchased; (2) delivery date, if required; (3) bid price per unit of the item(s); (4) any applicable maintenance; and (5) quantities of all items. **Each item should be identified by a model number or some other specific identification. . . .**” (Emphasis added).

Section 6.4.4. of the Department of Administration–Purchasing Division’s Legislative Rule, Title 148, Series I - Purchasing, as amended, states:

“Vendor Preference–All purchases of commodities and printing made upon competitive bids, with the exception of construction services, are subject to a resident vendor preference in accordance with the rules promulgated by the Secretary of the Department of Tax and Revenue. . . .”

Form WV-43, "REQUEST FOR QUOTATIONS" provided by the Department of Administration's Purchasing Division, as amended, states in part:

" . . . Resident Vendor Preference Request. I hereby certify that the above listed firm qualifies as a resident vendor and further request the resident vendor preference to be applied to this bid. . . ."

Section 13.1 of the Department of Administration–Purchasing Division's Agency Purchasing Manual, as amended, states in part:

"Specifications must not be restrictive, which locks in a specific vendor, thus limits competition, or be so vague as to allow a vendor to provide a lower than acceptable quality level product or service...."
(Emphasis added).

The \$9,894.22 Direct Supply Incorporated expenditure listed in the above table involves the purchase of 29 televisions sets. We found the purchase was not competitively bid. Initially, the Division of Rehabilitation Services "verbally" sought *written* bids for 34 television sets and only obtained one written bid from Direct Supply Incorporated. The company proposed to supply the 34 sets at \$291.76 each for a total cost of \$9,919.84, *excluding* shipping cost. When the shipment arrived, Division staff realized the sets ordered did not have the right kind of cable inputs and the televisions had to be returned to the vendor. A second order was placed with the same vendor for a different model that had two cable inputs; however, the Division only ordered 29 sets at this time at an increased cost of \$49.42 per set, which *included* shipping costs. Again, no written bids were obtained from any other vendors before the second order was placed.

Section 6.1.3. of the Department of Administration–Purchasing Division's Agency Purchasing Manual, as amended, states in part:

"\$5,001 to \$10,000: A minimum of three (3) *written* bids shall be obtained. A Request for Quotations form, WV-43, or TEAM-

Generated RFP/RFQ (See Appendix A) should be used for documenting and making these requests. . . . A “no bid” is *not* considered a bid. . . .” (*Emphasis added*).

A building maintenance supervisor stated, as a general rule, estimates for certain hospital renovation work were obtained by having a contractor or supplier come to the work site and give the Division a price quote specifying the materials and labor needed to complete a particular room or phase of the project. Once this was done, maintenance staff would either contact other contractors/suppliers by phone and write down their bid based on the quote they received or they would provide the other bidders with a copy of the quote without revealing that contractor/supplier’s bid. In regards to the televisions purchased, the office assistant who requisitioned the order, stated that she called several local vendors to obtain a quote but she could not find any local vendors who could meet the required specifications. The specifications were vaguely described as “commercial televisions with remote” on the Division’s internal requisition.

Having a vendor to prepare the specifications and quantities that would be needed to complete a particular phase of the renovation project could have limited competition because that contractor/supplier may have recommend materials that were in the best interests of the company and not that of the state. In addition, by not utilizing the Request for Quotation form (Form WV43) to formally request bids, vendors may misunderstand the specifications verbally made over the telephone and may not be made aware of the resident vendor preference.

We recommend the Division comply with Section’s 3.2; 6.2; and 13.1 of the Department of Administration–Purchasing Division’s Agency Purchasing Manual, as amended, Section 6.4.4. of the Department of Administration–Purchasing Division’s Legislative Rule, Title 148, Series 1 - Purchasing, as amended, Section 6.1.3. of the Department of

Administration–Purchasing Division’s Agency Purchasing Manual, as amended, and utilize Form-WV43 to obtain bids.

Agency’s Response

To comply with the Auditor’s request regarding the usage of the WV 43 Request for Quotation the Agency will insure that the WV-43, Request for Quotation form are used when soliciting bids for non contract goods/services costing 5,000.00 to 10,000.00.

Purchasing Authorizations

Expenditures totaling \$35,597.27 charged to the General Administrative Fund - Capital Outlay - Restrooms (Fund 0310-301) did not have appropriate West Virginia Division of Rehabilitation Service (Division) staff’s purchasing approval. Specifically, we noted two purchase requisitions that exceeded \$5,000 were not approved by the Interim Director, as shown below:

**GENERAL ADMINISTRATIVE FUND - CAPITAL OUTLAY - RESTROOMS (FUND 0310-301)
PURCHASE REQUISITIONS NOT SIGNED BY THE DIRECTOR OF DIVISION OF
REHABILITATION SERVICES**

<u>WVFIMS Document ID</u>	<u>Vendor</u>	<u>Transaction Date</u>	<u>Amount</u>	<u>Division Purchase Requisition Number</u>
I005412430	Hajoca Corp	6/26/02	\$ 9,950.00	02-5193
I005475119 **	DIRECT SUPPLY INC	7/31/02	<u>9,894.22</u>	02-5023
		Total	<u>\$19,844.22</u>	

** - This purchase requisition was originally for 34 television sets @ 291.76 each, *excluding shipping costs*, and was approved by the Interim Director; however, someone modified the original purchase requisition to read 29 television sets at \$341.18, *including shipping costs*, but the modified purchase requisition was not approved by the Interim Director.

In addition, we identified several purchase requisitions between \$1,000 and \$5,000 were not signed by the Interim Assistant Director as shown below:

**GENERAL ADMINISTRATIVE FUND - CAPITAL OUTLAY - RESTROOMS (FUND 0310-301)
PURCHASE REQUISITIONS NOT SIGNED BY THE INTERIM ASSISTANT DIRECTOR**

<u>WVFIMS Document ID</u>	<u>Vendor</u>	<u>Transaction Date</u>	<u>Amount</u>	<u>Division Purchase Requisition Number</u>
I005012859	AWNWINDO COMPANY INC	9/26/01	\$2,596.00	02-3188
I005174340	CHARLESTON ACOUSTICS	1/31/02	1,229.25	02-4283
I005174397	HAJOCA CORP	1/22/02	1,225.80	02-4174
I005238246	ELECTRONIC SPECIALTY CO	3/12/02	<u>3,600.00</u>	02-4282
Total			<u>\$8,651.05</u>	

One Division purchase requisition totaling \$6,800.00 was possibly approved prior to the receipt of all written bids. Specifically, we found that purchase requisition number 02-3172 for shower units in the Rehabilitation Center Hospital was approved on July 11, 2001, by all required Division personnel; however, one of the three written bids received by the Division for these units was dated July 12, 2001.

We also noted one purchase requisition was modified from \$220.00 to \$302.00 to conform to the unit prices on a vendor's invoice; however, the modified requisition was not submitted to the Division's Procurement office for approval. This transaction is reflected in the following table:

**GENERAL ADMINISTRATIVE FUND - CAPITAL OUTLAY - RESTROOMS (FUND 0310-301)
MODIFIED PURCHASE REQUISITION NOT SIGNED BY THE PROCUREMENT OFFICE MANAGER**

<u>WVFIMS Document ID</u>	<u>Vendor</u>	<u>Transaction Date</u>	<u>Amount</u>	<u>Division Purchase Requisition Number</u>
I004961873	ARCHITECTURAL INTERIOR PROD	8/17/01	\$302.00	02-3127

Section 709, Step 6: *Routing Requisition for Approval or Action*, of the Division of Rehabilitation Services' Administrative Manual, as amended, states in part:

“. . . Once the originator has signed the justification block, the requisition is ready to be forwarded through channels for approval.

As explained below, routing depends on the total cost involved.

A. \$1,000 OR LESS. . . . These purchases only require the approval of the budget holding Manager. . . .

B. BETWEEN \$1001.00 AND \$5000.00. . . . These Requisitions require the approval of each supervisor in the originators chain of command up to and including the Assistant Directors level. The approving Assistant Director will sign/date the requisition and forward it along with the bid sheet to the Budget Assistant Office.

C. BETWEEN \$5001.00 and \$10,000.00. Three signed written or faxed bids are required. Approval as in paragraph 709-B, above, first required. The approving Assistant Director will then forward the requisition to the Deputy Director who will sign or forward it on to the Director. The approved requisition will then be returned to the Procurement Office for processing.”

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

“The head of each agency shall:

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

In relation to the improper authorizations, the Fiscal Services Senior Manager stated it has not been the practice of the Division’s accounts payable staff to review the purchase requisitions for appropriate staff approval. However, he indicated in a memo to us that accounts payable staff have been instructed to return any requisitions not having proper approval to the procurement office starting May 28, 2003. We were also unable to determine if appropriate Division staff authorized the purchase prior to the receipt of all bids. If account’s payable staff do not reject purchase requisitions that lack appropriate Division staff’s approval, purchases could be made that are not in the best interests of the Division and the state. This practice could lead to purchases being authorized from a vendor which may not actually have the lowest bid.

We recommend the Division comply with Section 709, Step 6 of its own purchasing procedures (Administrative Manual), as amended, and Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended.

Agency's Response

Four requisitions over \$1000.00 but under \$5000.00 were not approved by an Assistant Director.

To insure that requisitions have the proper approvals, requisitions over \$1000.00 will be signed or initialed by the Manager of Administrative Services and by either his/her Assistant or by the Unit Secretary after confirming that the required signatures and bids are attached to the requisition prior to the assignment of a requisition number.

Authorization of Attendant Care Services Program Payments

A number of Attendant Care Program payments were not properly authorized and documentation supporting other attendant care payments was not maintained in accordance with statute or Division policy. The Division of Rehabilitation Services contracted with the West Virginia Rehabilitation Association, Inc. to administer the program. Our examination of Association revealed:

***Eighteen Instances* - Attendant Care Needs Assessment**

Eighteen program recipients that received program payments during our audit period were not reevaluated every two years by the Division of Rehabilitation Services as required by statute.

***One Instance* - WVDRS 127 form (the client's Reimbursement Billing Form) was signed by the attendant instead of the client.**

We noted a Reimbursement Billing Form for the August 1 - 15, 2001 billing period was signed by the attendant instead of the program recipient.

Seven Instances - WVDRS 127 form (the client's Reimbursement Billing Form)

The Division could not provide us with seven Reimbursement Billing - WVDRS 127 forms to support seven payments to four clients by the Association as shown in the following table:

MISSING WVDRS 127 - REIMBURSEMENT BILLING FORMS

<u>Division Client</u>	<u>Billing Period</u>	<u>Association Check Number</u>	<u>Amount Paid</u>
1	Unable to determine *	5829	\$ 386.25
2	August 20 - 31, 2001	5555	108.15
2	April 7 - 19, 2002 **	5869	108.15
3	Aug 1 - 15, 2001	5521	386.25
3	March 16 - 31, 2002	5833	386.25
4	Aug 1 - 16, 2001	5526	386.25
4	Unable to determine *	5830	<u>386.25</u>
Total			\$2,147.55

*No billing forms or time logs were provided for this payment.

**Based on an assertion of Administrative Service Manager.

Four Instances - WVDRS 128 form (the Attendant's Time Log)

We noted a total of four instance where three different client's requested reimbursement for attendant care they received but we were not provided with time log(s) from the client's attendant(s) to support the amount paid them by the Association as detailed in the following table.

MISSING TIME LOGS - WVDRS 128

<u>Division Client</u>	<u>Billing Period</u>	<u>Association Check Number</u>	<u>Amount Paid</u>
1	Unable to determine *	5829	\$ 386.25
2	August 20 - 31, 2001 **	5555	108.15
4	Aug 1 - 16, 2001	5526	386.25
4	Unable to determine *	5830	<u>386.25</u>
Total			<u>\$1,266.90</u>

*No billing forms or time logs were provided for this payment.

**Based on an assertion of the Administrative Services Manager.

Chapter 18, Article 10A, Section 4a, of the West Virginia Code states:

“...The eligible adult shall be reevaluated by a certified evaluation unit at the direction of the division at least once every two years to determine their continuing need for attendant care services....”

Section 4204.7 of the Client Services Manual states, in part:

“...H. *Request for Reimbursement Certification*....Reimbursement assistance payments will not be processed prior to receipt of a properly completed request for payment certificate. The certificate will be submitted promptly after the last day of the period being claimed for reimbursement. The certificate shall include the total number of authorized personal care attendant hours actually delivered during the period and shall be signed by the attendee. The request for reimbursement will be submitted on WVDRS - 127, *Reimbursement Billing for Personal Care Attendant* (Figure 4200-3). Attached to WVDRS - 127 will be WVDRS - 128, *Attendant’s Time Log* (Figure 4200-4), signed by the attendant.”

The Division did not ensure program payments were properly authorized or that documentation was maintained to support expenditures. We could not determine if the client had been properly authorized to participate in the attendant care program or if the recipients received the correct amounts. Since reevaluations were not performed in accordance with the West Virginia

Code, attendant care payments could be made to individuals who may no longer have a need for services. In addition, new individuals may be denied services due to lack of funds, when in fact funds could be available if recipients were reevaluated and deemed ineligible.

We recommend the Division comply with West Virginia Code Chapter 18, Article 10A, Section 4a, and the provision of its own Case Services Manual.

Agency's Response

The Division will comply with West Virginia Code Chapter 5A, Article 8, Section 9, as amended, Chapter 18, Article 10A, Section 4a, and the provisions of its own Case Service Manual. The Division will put in place internal controls that will ensure compliance. One of these controls will be a checklist that must be completed by the employee auditing the transaction and the employee approving the transaction for payment. The checklist will contain information that ensures compliance.

No payment will be made to a participant of this program without a copy of the reevaluation. The reevaluation must be attached to the first authorization of the fiscal year. This document will be kept on file in the fiscal office.

The employee who approves the transaction will be responsible for checking the mathematical calculations, the vendor name and address, the object code, the fund and on the first payment of each fiscal year, the reevaluation.

ACCOUNTING:

Payments From Wrong Funds

In fiscal year 2002 expenditures totaling \$90,131.82, which should have been paid from General Administrative - Workshop Development (Fund 0310-63), were paid from other funds,

however, expenditures totaling \$44,895.77 were paid from the aforementioned fund when they should have been paid from other funds. In fiscal year 2001 expenditures totaling \$252,694.10 which should have been paid from General Administrative - Workshop Development (Fund 0310-63) were paid from other funds, however, expenditures totaling \$91,327.84 were paid from the aforementioned fund when they should have been paid from other funds. The following table details the erroneous fund charges:

<u>FY</u>	<u>Fund Charged</u>	<u>Amount</u>	<u>Correct Fund</u>	<u>Amount</u>
2002	0310-163	\$800.00	0310-162	\$800.00
2002	0310-163	\$44,095.77	0310-162	\$44,095.77
2002	8734-096	\$82,964.28	0310-163	\$82,964.28
2002	0310-206	\$7,167.54	0310-163	\$7,167.54
2001	0310-163	\$57,630.47	0310-162	\$57,630.47
2001	0310-163	\$2,625.00	0310-162	\$2,625.00
2001	8734-096	\$43,026.00	0310-163	\$43,026.00
2001	0310-162	\$118,340.34	0310-163	\$118,340.34
2001	0310-206	\$91,327.84	0310-163	\$91,327.84

The net undercharge to General Administrative - Workshop Development Fund was \$45,236.05 for fiscal year 2002 and \$192,438.71 for fiscal year 2001. Since no money expired from this fund in 2002 and only \$53,970 expired in 2001, had all expenses been charged to the correct account, it appears expenses would have exceeded the appropriation by \$45,236.05 in 2002 and \$138,468.71 in 2001. However, it should be noted that the Rehabilitation Center Special Account Fund (Fund 8664-163) reflects unaudited balances of \$2,633.86 for fiscal year 2002 and \$112,207.23 for fiscal year 2001, and this fund is also used for workshop expenses. If these unaudited balances

are correct, then the 2002 expenses exceeded the appropriation by \$42,602.19 and the 2001 expenses were within the appropriated amount.

Chapter 12, Article 3, Section 14 of the West Virginia Code states in part:

“It shall be unlawful for the superintendent, manager, any officer, or any person or persons, board or body, acting or assuming to act for and on behalf of any institution, kept or maintained in whole or in part by this State, to expend for any fiscal year any greater sum for the maintenance or on account of such institution than shall have been appropriated by the legislature...”

West Virginia Code Chapter 12, Article 3, Section 9 states in part:

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

We were unable to determine why these transactions were paid from the wrong funds; however, general revenue and federal appropriations were not available to be expended for the intended purpose. In addition, expenditures charged to the Consolidated Federal Funds General Administrative Fund (Fund 8734-096) may have caused improper matching of federal funds.

We recommend the agency comply with Chapter 12, Article 3, Sections 9 and 14 of the West Virginia Code.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 9 and 14 of the West Virginia Code. We will put in place internal controls that will ensure compliance. The fund used to pay a transaction will be double checked when the internal purchase order is issued and will

be double checked when the transaction is approved for payment. Also to change the fund used on the purchasing order will require the approval of two employees one of which will be the chief financial officer.

Improperly Authorizing Expenditure of Funds

Our audit revealed a number of payments and expense reimbursements were made in noncompliance with Chapter 12, Article 3, Section 9 of the West Virginia Code, as detailed below under individual headings. This section states in part,

“Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the state treasury, shall, before any such money is paid out of the state treasury, certify to the auditor that the money for which such requisition is made is needed for present use for the purposes for which it was appropriated . . .”

We recommend the Division comply with Chapter 12, Article 3, Section 9 of the West Virginia Code and seek reimbursement for any resulting overpayments.

a. **Services Provided to the West Virginia Rehabilitation Association, Inc.**

The West Virginia Division of Rehabilitation Services paid the West Virginia Rehabilitation Association, Inc., \$3,704.30 in fees for administering the Attendant Care Services Program during the 2002 and 2001 fiscal years; however, we found these payments are processed by Division employees while they are being paid by the Division of Rehabilitation Services.

The Division is paying a non profit corporation for work performed by Division employees on Division time. With the exception of postage and other minor expenses such as the purchase of Association checks, the Division essentially bears all operational costs of the Association. Since the Division is supporting the Association and employees of the Division are performing the work, it should not have been required to pay the Association a large percentage of the above processing fees.

Agency's Response

The original fee to the Association was 2 ½%. This fee is now 1 ¼%. This was for the use of the Association's money. The association makes the payments to the attendants using its money and is reimbursed by state funds.

All members of the association are or were employees of the Division. Next year, FY 2005, when the purchase order is renewed we will examine the fee to ensure that it is not excessive.

b. **Expense Reimbursements**

The Division erroneously made a payment in the amount of \$2,457.55 from the Consolidated Federal Funds General Administrative Fund (Fund 8734-096) when payment should have been made from the General Administrative - Capital Outlay (Fund 0310-301). In an effort to correct the error the Division made a payment of \$2,457.55 from the General Administrative - Capital Outlay Fund when payment should have been made from the Consolidated Federal Funds General Administrative Fund. This actually compounded the original error and created a second incorrect payment from a fund. The proper way to make the correction would have been the utilization of an expense to expense transfer which would have left an audit trail and corrected the original error.

Similarly, the Division reimbursed the Consolidated Federal Funds General Administrative Fund (Fund 8734-096) (Federal Fund 8734-096) from the General Administrative Fund - Capital Outlay - Restrooms (Fund 0310-301) twice for the same expenditures. Based on our review of two expense reimbursements, we determined three invoices totaling \$1,927.00 were paid out of the Federal Fund 8734-096 and they were used as supporting documents for two separate

expense reimbursements. The first expense reimbursement was made via WVFIMS E000449766 on May 20, 2002. The second reimbursement was made via WVFIMS E000459415 on July 31, 2002.

Not utilizing the appropriate methods of expense reimbursements that are available in WVFIMS can result in unauthorized expenditures.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 9 and Section 12 of the West Virginia Code. The Division will put in place internal controls that will ensure compliance. The focus of some of the internal controls will be expense reimbursement, reconciliation, and proper documentation.

c. **Payment Processing**

We noted four invoices totaling \$21,944.00 were paid without any certification by the Division's staff that the goods had been received as shown in the following table.

**GENERAL ADMINISTRATIVE FUND - CAPITAL OUTLAY - RESTROOMS (FUND 0310-301)
INVOICES THAT WERE PAID WITHOUT ANY CERTIFICATION INDICATING THE
GOODS/SERVICES HAD BEEN RECEIVED.**

<u>WVFIMS Document ID</u>	<u>Vendor</u>	<u>Transaction Date</u>	<u>Amount</u>	<u>Division Purchase Requisition Number</u>
1005238248	HAJOCA CORP	3/12/02	\$ 7,560.00	02-3964
1005239079	ELECTRONIC SPECIALTY CO	3/12/02	5,786.00	02-3601
1005239077	ELECTRONIC SPECIALTY CO	3/12/02	4,998.00	02-3309
1005238246	ELECTRONIC SPECIALTY CO	3/12/02	<u>3,600.00</u>	02-4282
		Total	<u>\$21,944.00</u>	

We were unable to determine if the goods/services invoiced were paid before the services were rendered.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 9 of the West Virginia Code. The Division will put in place internal controls that will ensure compliance. Part of the internal controls will cover the responsibilities of the employee auditing the transaction and the responsibilities of the employee approving the transaction.

d. **Program Recipient Payments**

During our examination of the Attendant Care Service Program, we noted two program recipients were overpaid and two program recipients were underpaid during our audit period. The number of "attendant hours" a recipient is eligible to receive is documented on the Division of Rehabilitation's Personal Care Attendant Plan (form WVDRS 126). The maximum number of hours a recipient can receive during a semimonthly period is also documented on the Plan. We noted one Division client was authorized to bill the Association up to \$2,595.60 for attendant care services received in the 2002 fiscal year, however, the Association paid the client \$2,811.75. As a result, the client was paid \$216.15 more than authorized by her Division field counselor. Details of the payments are reflected in the following table:

**ASSOCIATION PAYMENTS TO DIVISION CLIENT FOR
ATTENDANT CARE SERVICES RECEIVED IN THE 2002 FISCAL YEAR**

<u>Association Check Number</u>	<u>Attendee Billing Period</u>	<u>Amount</u>
5561	July 1 - 14, 2001	\$ 108.15
5519	July 16 - 29, 2001	108.00
5562	August 6 - 19, 2001	108.15
5555	August 20 - 31, 2001	108.15
5575	September 1 - 14, 2001	108.15
5602	September 15 - 28, 2001	108.15
5603	September 29 - October 12, 2001	108.15
5630	October 15 - 28, 2001	108.15
5659	October 28 - November 10, 2001	108.15
5660	November 11 - 24, 2001	108.15
5700	November 25 - December 8, 2001	108.15
5721	December 10, 2001 - January 6, 2002	216.30
5761	January 6 - February 2, 2002	216.30
5802	February 3 - March 2, 2002	216.30
5825	February 24 - March 23, 2002 *	216.30
5848	March 24 - April 6, 2002	108.15
5869	April 7 - 19, 2002	108.15
5892	April 20 - May 3, 2002	108.15
5904	May 4 - 17, 2002	108.15
5922	May 18 - 31, 2002	108.15
5943	June 1 - 14, 2002	108.15
5964	June 15 - 28, 2002	<u>108.15</u>
	Total Payments	<u>\$2,811.75</u>
	Total Authorized for 2002 Attendant Care Subsidy	<u>\$2,595.60</u>
	Overpayment	<u>\$ 216.15</u>

* Records submitted indicate two attendants served the client during the week of February 24 - March 2, 2002. The client billed the Association for both attendants. Division personnel stated that they must have overlooked the duplicate billing.

In another instance, a second client was overpaid \$23.16 on three checks during the 2002 fiscal year based on his "Personal Care Attendant Plan" (form WVDRS-126). Based on his approved form WVDRS-126 for the 2002 fiscal year, he was only authorized to bill 98% of the standard \$5.15 hourly rate. In relation to the under payments, a fourth client was underpaid \$2.57 for the period November 16th - 30th, 2000 and a fifth client was underpaid \$5.15 for the period May 15th - 31st, 2002.

Since the individual who processes the program recipient payments for the Rehabilitation Association is the same individual who reviews the payments for the Division of Rehabilitation, any weaknesses or unintentional errors in the Association's invoicing to the Division would most likely not be detected by anyone within the Division. In addition, both under payments were due to miscalculation in hours worked by each attendant, however, Division personnel stated in our documented procedures that they audit the time logs and reimbursement requests before paying the attendees. Two program recipients were overpaid a total of \$239.31 and one program recipient was underpaid \$5.15 during the 2002 fiscal year. One program recipient was underpaid \$2.57 during the 2001 fiscal year.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 9, of the West Virginia Code. We will put in place internal controls that will ensure compliance. Some of these controls will focus on documentation required and what is required by the employee auditing the transaction and by the employee approving the transaction for payment.

The Division will instruct the Association to refund the net overpayment. This overpayment will be deposited into the General Revenue Fund.

e. Duplicate Payment

We noted Division of Rehabilitation Services paid an outside vendor twice for an invoice. Our review of the Division’s accounting records found one instance where a \$144.75 invoice from Hajoca Corp was paid twice. In addition, the second time the Division paid the invoice, a \$9.00 error on the invoice was not detected by Division staff resulting in the payment being more than the amount previously quoted by the vendor.

**GENERAL ADMINISTRATIVE FUND - CAPITAL OUTLAY - RESTROOMS (FUND 0310-301)
DUPLICATE PAYMENT TO HAJOCA CORPORATION**

<u>WVFIMS Document ID</u>	<u>Transaction Date</u>	<u>Fiscal Year</u>	<u>Object Code</u>	<u>Vendor Invoice Number</u>	<u>Amount</u>
15012867	9/26/01	2002	064	43-142305	\$144.75
15203241	2/13/02	2002	064	43-142305	\$153.75

Account’s Payable staff overrode the amount authorized on the approved purchase requisition for the invoice. As a result, the vendor was overpaid \$153.75. The Fiscal Services Senior Manager stated that the amount overpaid had not been detected by the Division.

Agency’s Response

The Division will comply with Chapter 12, Article 3, Section 9 of the West Virginia Code. The Division will put in place proper internal controls that will ensure compliance. The internal controls will not allow the account’s payable staff to change amounts on an authorization. The authorization will not be changed without proper documentation and will only be changed by the Administrative Services section.

The Division will contact the vendor and request reimbursement for the duplicate payment.

f. **Payment Processing Fees**

We noted three instances where the West Virginia Rehabilitation Association, Inc. billed the Division of Rehabilitation Services for the incorrect amount. The Association over billed the Division \$109.50 in the 2002 fiscal year as detailed in the following table:

IMPROPER AMOUNTS PAID TO THE ASSOCIATION DURING THE 2002 FISCAL YEAR FROM THE GENERAL ADMINISTRATION FUND - UNCLASSIFIED (FUND 0310-099)

<u>Division Client Paid By Association</u>	<u>Association Check Number</u>	<u>WVFIMS Document ID</u>	<u>Date</u>	<u>Amount Paid to Association</u>	<u>Amount Paid By Association</u>	<u>Overpayment (Underpayment)</u>
I	5848	I5392656	6/12/02	\$217.65	\$108.15	\$109.50

In addition, the Association under billed the Division \$25.75 during the 2002 fiscal year. The Association mistakenly paid another client \$386.25 (check # 5916, dated May 29, 2002) for the billing periods of April 1 through May 15, 2002. The invoice amount for Program services rendered during that time was \$412.00 for a difference of \$25.75, with \$.32 of that amount consisting of a 1.25% payroll processing fee. Division staff said that the client returned the check to the Association and a replacement check in the amount of \$412.00, check # 5960 dated June 24, 2002, was made payable to him. A Division Administrative Services Manager added that he did not file a reimbursement with the agency for the \$412.00, but was reimbursed for the \$386.25, giving the difference of \$25.75. He also said that check # 5916 for \$386.25 could not be located. We reviewed the Association's bank records for our audit period and through October 06, 2002 and check # 5916 had not been returned to the bank.

We also noted the West Virginia Rehabilitation Association invoiced the State for an attendant care services reimbursement that was greater than the amount originally paid out by the Rehabilitation Association. The Rehabilitation Association billed the Division \$7,560.84 for the November 16th - 30th, 2000 Attendant Care Services Program payroll. After reviewing the Attendant Care Time Logs, the Request for Reimbursements, and the canceled checks, we determined the amount paid for a third Division client was actually \$226.60, however, the Rehabilitation Association billed the State for reimbursement of the client's payment at an amount of \$252.35, a difference of \$25.75. Since the Rehabilitation Association over billed the State for reimbursement of this payment, the amount billed for the payroll processing fee is overstated by \$0.32. Therefore, the total amount over billed for reimbursement of attendant care services is \$26.07.

Agency staff stated the incorrect billings were made in error. However, the Division paid the Association \$109.50, including related processing fees, for payments that were never made to the program recipient.

Agency's Response

The Division will comply with Chapter 12, Article 3, Section 9 and Chapter 5A, Article 8, Section 9, of the West Virginia Code. We will put in place internal controls that will ensure compliance. The internal controls will focus on segregation of duties, bank reconciliation, proper documentation, and accuracy.

The Division will instruct the Association to refund the overpayment. These funds will be deposited into the General Revenue Fund.

Late Payment

The Division of Rehabilitation Services failed to make contract payments totaling \$248,417.00, grant payments totaling \$95,668.00, and failed to pay invoices totaling \$27,160.09 to outside vendors within sixty days. Consequently, the Division could be liable for up to \$2, 247.18 in late payment interest. We found payments relating to contractual obligations were paid 74 to 141 days after the invoice was received. The individual payments are listed in the following table:

<u>Vendor</u>	<u>Document ID</u>	<u>FY</u>	<u>Object Code</u>	<u>Amount</u>	<u>Date Invoice</u>		<u># of Days to Pay</u>
					<u>Received</u>	<u>Paid</u>	
WVU Research Corporation	I005144479	2002	025	\$ 38,125.00	09/30/01	01/08/02	100
WVU Research Corporation	I005256434	2002	025	20,079.50	12/14/01	05/01/02	138
WVU Research Corporation	I005256532	2002	025	38,125.00	12/11/01	05/01/02	141
Mr. Sam Mullett	I004779250	2001	025	2,000.00	02/02/01	04/17/01	74
Mr. Sam Mullett	I005079737	2002	025	87.50	09/04/01	01/22/02	140
WV Statewide Independent Living Council	I004677580	2001	025	<u>150,000.00</u>	01/24/01	04/10/01	76
				Total			<u>\$248,417.00</u>

Similarly, we noted invoices received from workshop development grantees were paid 77 to 144 days late based on the invoice date received or the invoice date, if the invoice had not been date stamped received by Division personnel.

<u>FIMS Cover Sheet Number</u>	<u>Vendor's Name</u>	<u>Invoice Amount Paid</u>	<u>Date Received</u>	<u>FIMS Date</u>	<u>FIMS Difference</u>
I005144416	Gateway Industries Inc.	\$ 15,675.00	10/01/01	12/26/01	86
I005216164	Pace Training & Eval. Ctr.	24,637.25	10/01/01	02/22/02	144
I005229132	Job Squad	5,928.00	12/31/01	03/18/02	77
I005144310	Job Squad	5,928.00	09/30/01	12/26/01	87
I005003016	Pace Training & Eval. Ctr.	24,637.25	08/28/01	11/01/01	79
I005373156	Northwood Health Systems	<u>7,500.00</u>	01/09/02	05/29/02	140
Total		<u>\$ 84,305.50</u>			

Extended Supported Employment Service grant payments were also not paid within 60 days. The Division's payment of \$5,550.00 to Job Squad Inc (I005370477) was 26 days past the 60 day threshold. The earliest date received stamp was dated March 5, 2002, since there was more than one date received stamp date, we used the earliest one to determine statutory compliance. It looks as if the agency held several months worth of invoices and paid a lump sum on May 30, 2002.

In addition, a payment of \$5,812.50 was made to Autism Services Center (I005460249) 120 days past the 60 day threshold. Again it looks as if the agency held several months worth of invoices and paid one lump sum payment on July 23, 2002. The earliest date stamp received stamp was January 24, 2002, which is the date we used to determine statutory compliance.

We also noted the Division did not pay twelve invoices totaling \$27,160.09 to outside vendors within 60 days of receipt as shown in the following table:

GENERAL ADMINISTRATIVE FUND - CAPITAL OUTLAY - RESTROOMS (FUND 0310-301)
INVOICES NOT PAID WITHIN 60 DAYS OF RECEIPT **

<u>Vendor</u>	<u>Document ID</u>	<u>FY</u>	<u>Object Code</u>	<u>Amount</u>	<u>Date Invoice</u>		<u># of Days to Pay</u>
					<u>Received</u>	<u>Paid</u>	
Hajoca Corp	I005131573	2002	064	\$ 6,800.00	8/14/01	12/18/01	126
Electronic Specialty Co	I005239079	2002	064	5,786.00	11/30/01	3/12/02	102
Electronic Specialty Co	I005239077	2002	064	4,998.00	11/30/01	3/12/02	102
Awnwindo Mfg Co Inc	I005111914	2002	064	2,912.00	8/22/01	12/5/01	105
Capitol Business Interiors	I005294045	2002	064	1,419.00	10/1/01	4/1/02	182
Capitol Business Interiors	I005285753	2002	064	1,359.18	9/24/01	3/26/02	183
Hajoca Corp	I005131577	2002	063	1,155.20	9/24/01	12/18/01	85
Architectural Interior Prod **	I005174320	2002	064	98.75	8/3/01	2/6/02	187
Architectural Interior Prod **	I005174324	2002	064	599.00	9/20/01	1/31/02	133

<u>Vendor</u>	<u>Document ID</u>	<u>FY</u>	<u>Object Code</u>	<u>Amount</u>	<u>Date Invoice</u>		<u># of Days to Pay</u>
					<u>Received</u>	<u>Paid</u>	
Graybar Electric Co Inc **	1004990610	2002	064	1,035.27	8/9/01	1/31/02	175
Evans Lumber Co **	1005256177	2002	064	256.50	11/8/01	3/13/02	125
Evans Lumber Co **	1005256178	2002	064	<u>741.19</u>	11/14/01	3/14/02	120
			Total	<u>\$27,160.09</u>			

** Invoices with this symbol beside of them were originally paid out of the Consolidated Federal Funds General Administrative Fund (Fund 8734-096) and reimbursed by the General Administrative Fund - Capital Outlay - Restrooms (Fund 0310-301).

Chapter 5A, Article 3, Section 54 (b)(1), of the West Virginia Code, as amended, states:

“(b)(1) Except as provided in subdivision (2) of this subsection, for purchases of services or commodities made on or after the first day of July, one thousand nine hundred ninety-one, a state check shall be issued in payment thereof within sixty days after a legitimate uncontested invoice is received by the state agency receiving the services or commodities. Any state check issued after such sixty days shall include interest at the current rate, as determined by the state tax commissioner under the provisions of section seventeen-a [§ 11-10-17a], article ten, chapter eleven of this code, which interest shall be calculated from the sixty-first day after such invoice was received by the state agency until the date on which the state check is mailed to the vendor.”

We were unable to determine why the payments were not made in accordance with the statute. The Division could be liable for interest related to these late payments.

We recommend the agency comply with Chapter 5A, Article 3, Section 54 (b)(1) of the West Virginia Code, as amended, and issue a check for payment of services or commodities within sixty days after a legitimate uncontested invoice is received by the agency.

Agency's Response

The Division will comply with Chapter 5A, Article 3, Section 54 (b)(1) of the West Virginia Code, as amended. The division will put in place an invoice tracking system that will ensure that uncontested invoices will be paid in 60 days. Aging reports will be generated on a monthly basis and be reviewed by management.

Erroneous Calculations of Termination Pay and Overtime

During the period July 1, 2000 - June 30, 2002, we noted five employee were not compensated the proper amount when they terminated employment. The following is a list of the employees, the amount they were under/overpaid, and the cause of the miscalculation:

Employee 1: was overpaid \$209.12 at termination because the agency used his annual leave to extend his time for the calculation of his pro rated share of increment. The individual retired and used his sick and annual leave toward insurance, therefore, his annual leave can not be used for both purposes.

Employee 2: was overpaid \$495.63 at termination because the agency did not extend his annual leave far enough when calculating his pro rated share of increment. In addition, the agency paid his full salary to him on November 15, 2000. Since the individual only worked five days in November, his annual leave should have been used to finish out the pay period. The agency then paid him a supplemental on November 24, 2000 for his lump sum annual leave. However they did not deduct the days used to finish out the November 15, 2000 pay period. Therefore, the individual was overpaid for approximately six days.

Employee 3: was overpaid \$420.58 at termination because the agency did not deduct two days of annual leave in May 2001. When the individual resigned effective June 9, 2001 she was overpaid

for the two days that were not deducted in May. Also, there was a difference in the amount of partial accrual figured for June 2001.

Employee 4: was underpaid \$505.41 at termination because the agency deducted annual leave from his balance for holidays that fell in the months following his resignation when calculating his lump sum payment. There were three holidays that fell in the period between the day he terminated employment and the day his annual leave extended his services. The annual leave days deducted effected his pro rated share of annual increment. We also calculated a slight difference in his annual leave balance at termination which attributed to the partial accrual calculation.

Employee 5: was underpaid \$6.42 at termination because the agency deducted annual leave days from her balance for holidays that fell in the months following her resignation. There was also a difference in the calculation of her pro rated share of annual increment.

Employee 6: was overpaid \$333.33 because the agency extended his service time by his annual leave balance when calculating his pro rated share of annual increment. The individual retired and used his sick and annual leave toward insurance; therefore, his annual leave can not be used for both purposes. Various methods of calculating the termination pay for the above individuals caused the under/overpayments. Based on the documentation provided to us we determined the causes of the above errors.

According to payroll records the agency is calculating an hourly rate of pay by taking the employee salary plus the **previous year's** increment divided by 2080 hours. The amount that should be used is the employee's salary plus the increment the employee is due to receive the following July. During our payroll test we found errors in overtime calculations totaling \$2.00. However, when looking through the agency's payroll reports we noted a lot of overtime is worked

by the Division. Taken as a whole this could result in a significant difference. Below is a list of the individuals we tested:

Employee (A) - We tested his August 15, 2000 pay for his overtime worked. His hourly rate was calculated to be \$8.93 $((17364+756+450)/2080)$ which is his annual salary plus the across the board raise plus the amount of annual increment he will receive the following July (2001). The agency indicated his hourly rate to be \$8.90 which was his annual salary plus the annual increment he received in July 2000 (\$400.00) or $((17364+756+400)/2080)$. When we used the previous years increment, as the agency did, we came up with a difference of only \$0.16 but when we used the following years increment, the way it is supposed to be calculated, we came up with a difference of \$1.20.

Employee (B) - We also tested her August 15, 2000 pay for overtime worked. Her hourly rate was calculated to be \$18.97 $((38400+756+300)/2080)$ which is her annual salary plus the across the board raise plus the amount of annual increment she will receive the following July (2001). The agency indicated her hourly rate to be \$18.95 which was her annual salary plus the annual increment she received in July 2000 (\$250.00) or $((38400+756+250)/2080)$. When we used the previous years increment, as the agency did, we came up with a difference of only (\$0.01) but when we used the following years increment, the way it is supposed to be calculated, we came up with a difference of \$0.06.

Employee (C) - We tested her May 31, 2002 pay for overtime worked. Her hourly rate was calculated to be \$8.15 $((15180+756+756+250)/2080)$ which is her annual salary plus the across the board raise for two years plus the amount of annual increment she will receive the following July (2002). The agency indicated her hourly rate to be \$8.12 which was her annual salary plus the

annual increment she received in July 2001 (\$200.00) or $((15180+756+756+200)/2080)$. When we used the previous years increment, as the agency did, we came up with a difference of only \$0.01 but when we used the following years increment, the way it is supposed to be calculated, we came up with a difference of \$0.18.

Employee (D) - We also tested her May 31, 2002 pay for overtime worked. Her hourly rate was calculated to be \$11.79 $((23928+600)/2080)$ which is her annual salary plus the amount of annual increment she will receive the following July (2002). The agency indicated her hourly rate to be \$11.77 which was her annual salary plus the annual increment she received in July 2001 (\$550.00) or $((23928+550)/2080)$. When we used the previous years increment, as the agency did, we came up with a difference of only (\$0.02) but when we used the following years increment, the way it is supposed to be calculated, we came up with a difference of \$0.11.

Employee (E) - We also tested his May 31, 2002 pay for his overtime worked. His hourly rate was calculated to be \$21.21 $((44568-756+300)/2080)$ which is his annual salary minus the across the board raise plus the amount of annual increment he will receive the following July (2002). The agency indicated his hourly rate to be \$21.16 which was his annual salary plus the annual increment he received in July 2000 (\$200.00) or $((44568-756+200)/2080)$. When we used the increment he received two years prior, as the agency did, we came up with the exact amount he was paid, but when we used the following years increment, the way it is supposed to be calculated, we came up with a difference of \$0.36. We were unable to determine why the agency calculated his hourly rate using the increment he had received two years prior to this pay date.

Employee (F) Worked 3.25 hours overtime on June 9, 2001 which was paid to her on the July 16, 2001 check date. The employee's semi - monthly salary is \$668.00 which would make her straight

overtime hourly rate \$8.00 $((668*24)+600)/2080$). The agency paid her at an hourly rate which included her annual increment pay or \$7.97 $((668*24)+550)/2080$).

Requirements for termination pay are addressed in various sections of statute and legislatively approved rules and regulations. Chapter 5, Article 5, Section 3 of the West Virginia Code, states in part:

“Every eligible employee, as defined in section one [§5-5-1] of this article, at the time his or her active employment ends due to resignation, death, retirement or otherwise, may be paid in a lump sum amount, at his or her option, for accrued and unused annual leave at the employee’s usual rate of pay at such time. The lump sum payment shall be made by the time of what would have been the employee’s next regular payday had his employment continued. **In determining the amount of annual leave entitlement, weekends, holidays, or other periods of normal, noncountable time shall be excluded,** and no deductions may be made for contributions toward retirement from lump sum payments for unused, accrued annual leave, since no period of service credit is granted in relation thereto; however, such lump sum payment may not be a part of final average salary computation;...” *(Emphasis added)*

The West Virginia Code Chapter 5, Article 5, Section 3 states in part:

“For the purposes of this article: (1) “Eligible employee” means any regular full-time employee of the state or any spending unit thereof who is eligible for membership in any state retirement system of the state of West Virginia or other retirement plan authorized by the state:...”

Attorney General’s Opinion Number 3 dated August 17, 1988, states in part:

“...During an employee’s periods of normal active employment, his accrued annual leave days are only used and credited against such countable workdays (not used against weekend days, holidays, or days properly taken as compensatory days earlier earned); therefore, it is the opinion of this office that the Legislature in Code 5-5-3 generally continues such application of r determining the amount of the lump sum payment at the time of termination of employment, usually through resignation or retirement. Thus, although an eligible

employee will not be remaining on the payroll, but instead will be electing and exercising his option to lump sum payment; nevertheless, the calendar month of the date of his last day on the payroll and /or subsequent calendar months must be used to determine the countable days against which his accrued annual leave days are to be applied and credited and the full months and/or portion of a month's salary for which he is entitled to be paid in lump sum amount. In respect of any portion of a month and part of month's salary to which an employee may be entitled, such is to be computed by first striking from consideration as excludable, the aforesaid weekend days, holidays, or other noncountable time, and thereafter determining the fractional part of the monthly salary which is to constitute such lump sum payment, with the numerator thereof being the accrued leave days of an employee remaining and applicable in such month and the denominator thereof being the countable days of such month remaining after the aforesaid exclusions..."

The West Virginia Division of Personnel Administrative Rule Chapter 29-6-10, Series I, 2000 amended, section 14.3 states in part:

"...(f) Separation from Employment - The appointing authority shall pay an employee who separates from employment for any reason for all accrued and unused annual leave. An employee does not accrue annual leave after his or her date of separation. The payment shall be made according to one of the following methods....

. . . 1. An employee may elect to be paid in semi-monthly installments as if employment were continuing until the pay period during which the accrued annual leave is exhausted. If the last day for which terminal leave payment is due falls before the day on which the pay period ends, terminal leave payment for those days within that pay period shall be calculated using the daily rate for the half-month in which the last day on payroll occurs. Employees in positions allocated to job classes assigned to an hourly pay schedule or per diem pay schedule approved by the Board shall be paid according to those standard procedures. No deductions may be made for contributions toward retirement from the payment for terminal leave;

2. Any eligible employee as defined in W.Va. Code 5-5-1 who is separated from employment by resignation, layoff, dismissal, retirement, death or termination, may be paid in a lump sum, at his or her option, for accrued and unused annual leave. Terminal leave

payment for an employee who selects a lump sum payment shall be calculated using the daily rate of pay for the half-month(s) or portion of the month which the accrued and unused annual leave covers. Employees in positions allocated to job classes assigned to an hourly pay schedule or per diem pay schedule approved by the Board shall be paid according to those standard procedures. The lump sum payment shall be made by the time of what would have been the employee's next regular pay day had his or her employment continued. No deductions may be made for contributions toward retirement from the lump sum payment;..."

The West Virginia Division of Personnel Administrative Rule Chapter 29-6-10, Series I, 2000

amended, states in part:

“. . . 3.25. Date of Separation: Last day of work of employees separating due to dismissal, voluntary resignation, voluntary retirement, layoff, or sudden death; the date of death of employees who die while on paid or unpaid leave; or the date of notification by employees resigning or retiring due to disability as verified by a physician. . . .

3.53. Last day of Work: The last calendar date and hour an employee is physically on the job. . . .”

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

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

Calculations of hourly rate are delineated in Chapter 21, Article 5C, Section 3 of the

West Virginia Code states:

“(a) On and after the first day of July, one thousand nine hundred eighty, no employer shall employ any of his employees for a workweek longer than forty hours, unless such employee receives compensation for his employment in excess of the hours above specified at a rate of not less than one and one-half times the regular rate at which he is employed.

(b) As used in this section the “regular rate” at which an employee is employed shall be deemed to **include all remuneration** for employment paid to, or on behalf of, the employee . . .” (*Emphasis added*)

In addition, Attorney General Opinion No. 37 dated June 27, 1990 states in part,

“ . . . The Supreme Court of Appeals has twice held that the W.Va. Code §5-5-2 incremental increases represent an adjustment in the salary for services previously performed. Referring to the first incremental salary increase payable on July 1, 1985, the High Court said: ‘The statute is designed to provide supplemental salary increments based not only on (the number of years of) past services but for services rendered since the enactment of the statute.’ State ex rel. Erwin v. Gainer, No. 16791 (August 2, 1985) (per curiam). . . Finally, it should be noted that the United States Department of Labor has determined the statutory increase ‘constitutes additional earnings for the completed year and is payment for services rendered throughout the year.’ Letter dated August 26, 1985, to Acting Director of Personnel, West Virginia Civil Service System, from Eldon F. Spurlock, Area Director. . . Considering (1) the constitutional prohibition against after-the-fact bonus forms of compensation, (2) the constitutional and statutory prohibitions against payments for services not yet rendered, (3) existing case law, (4) prior opinions of this office, as well as, (5) the position of the United States Department of Labor, it is concluded that this salary adjustment represents payment for prior services, and is not prospective in nature...”

Further, the United States Department of Labor letter dated August 26, 1985 states in part,

“ . . . This increase is not discretionary since it is mandated by law. The increase constitutes additional earnings for the completed year and is payment for services rendered throughout the year. It increases the regular hourly rate (as defined in the FLSA) upon which overtime premium compensation is computed for any employee who has worked in excess of 40 hours in any week or weeks during the year for which the increase was paid. . .”

The Division overpaid four employees a total of \$1,458.66 at termination and underpaid two employees a total of \$511.83 at termination. In conjunction with hourly rate calculations, the agency is using the amount of increment the employee was paid the previous July, the employee’s hourly rate is less than it would be if the agency used the following July’s increment. This results in the employees being underpaid each time the employee works overtime.

We recommend that Division of Rehabilitation Services comply with Chapter 5, Article 5, Section 3 of the West Virginia Code, Attorney General's Opinion Number 3 dated August 17, 1988, The West Virginia Division of Personnel Administrative Rule Chapter 29-6-10, Series I, 2000 amended, section 14.3, The West Virginia Division of Personnel Administrative Rule Chapter 29-6-10, Series I, 2000 amended, Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, Chapter 21, Article 5C, Section 3 of the West Virginia Code, the Attorney General Opinion No. 37 dated June 27, 1990, and the United States Department of Labor letter dated August 26, 1985.

Agency's Response

The Division will comply with Chapter 5, Article 5, Section 3 of the West Virginia Code, Attorney General's Opinion Number 3 dated August 17, 1998, The West Virginia Division of Personnel Administrative Rule Chapter 29-6-10, Series I, 2000 amended, section 14.3, The West Virginia Division of Personnel Administrative Rule Chapter 29-6-10, Series I, 2000 amended, Chapter 12, Article 3, Section 13 of the West Virginia Code , as amended, Chapter 21, Article 5C, Section 3 of the West Virginia Code, the Attorney General Opinion No. 37 dated June 27, 1990, and the United States Department of Labor letter dated August 26, 1985. The Division will put in place internal controls that will ensure compliance. One of the internal controls will require payroll calculations dealing with overtime, annual leave payments, and lump sum payments to be forwarded to our Human Resource Section to be checked for compliance with all applicable regulations, The mathematical calculations will be reviewed by someone other than the preparer.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of appropriations and expenditures of West Virginia Division of Rehabilitation Services for the years ended June 30, 2002 and June 30, 2001. The financial statement is the responsibility of the management of West Virginia Division of Rehabilitation Services. 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 and modified cash basis of accounting, which are comprehensive bases 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 West Virginia Division of Rehabilitation Services for the years ended June 30, 2002 and June 30, 2001, on the bases of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,



Michael A. House, CPA, Supervisor
Legislative Post Audit Division

June 6, 2003

Auditors: Michael A. House, CPA, Supervisor
Timothy C. Butler, CPA, Auditor-in-Charge
Noah E. Cochran, CPA
Thomas F. Ward, CPA
Sheela K. Francis
Lori A. Sutton

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES
STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	<u>Year Ended June 30,</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Appropriations:			
Appropriations - State General Revenue Fund	\$9,273,291.00	\$8,899,003.00	\$11,057,690.00
Supplemental Appropriations	15,998.00	0.00	0.00
Student Union	0.00	0.00	0.00
Bookstore Sales - Colleges and Universities	0.00	0.00	0.00
Timberland and Woodland Fees	0.00	0.00	0.00
Hospital Patient Care Collections	0.00	0.00	0.00
Other Collections, Fees, Licenses and Income	0.00	0.00	0.00
Inter-agency Federal Payments	0.00	0.00	0.00
Other Taxes	0.00	0.00	0.00
	<u>9,289,289.00</u>	<u>8,899,003.00</u>	<u>11,057,690.00</u>
Expenditures:			
Personal Services	4,618,347.00	4,546,252.00	4,435,309.00
Employee Benefits	1,705,731.00	1,693,488.00	1,597,016.00
Current Expenses	2,115,843.61	2,362,599.77	2,038,960.40
Repairs and Alterations	263,672.25	0.00	0.00
Assets	0.00	0.00	475.00
Payment of Taxes	0.00	0.00	0.00
Grants, Awards, Scholarships, and Loans	361,184.05	35,212.73	10,670.40
Case Services	87,965.59	90,417.33	2,403,241.49
Other Interest and Penalties	0.00	0.00	7,500.00
Public Employees' Insurance Reserve Transfer	0.00	0.00	0.00
	<u>9,152,743.50</u>	<u>8,727,969.83</u>	<u>10,493,172.29</u>
Appropriations Over Expenditures	136,545.50	171,033.17	564,517.71
Expirations and Expenditures after June 30	(146,212.05)	(206,245.90)	(575,188.11)
Beginning Balance	<u>32,099.87</u>	<u>67,312.60</u>	<u>77,983.00</u>
Ending Balance	<u>\$ 22,433.32</u>	<u>\$ 32,099.87</u>	<u>\$ 67,312.60</u>

See notes to financial statements.

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policy

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

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

	<u>Expenditures Paid</u>		<u>Expirations</u>	
	<u>After June 30,</u>		<u>July 31,</u>	<u>July 31,</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
General Administrative Fund:				
Personal Services	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Annual Increment	0.00	0.00	0.00	0.00
Employee Benefits	0.00	0.00	0.00	0.00
Unclassified	6,736.97	0.00	0.00	0.00
Workshop Development	5,361.39	0.90	0.00	53,970.00
Extended Supported Employment	79,098.41	100,419.91	0.00	3,755.09
Capital Outlay - Restrooms	36,289.78	0.00	0.00	0.00
Pay Equity Reserve	0.00	0.00	0.00	0.00
Ron Yost Personal Assistance	0.00	0.00	0.00	9,000.00
Salary Shortfall - Surplus	0.00	0.00	15,719.00	0.00

	<u>Expenditures Paid</u>		<u>Expirations</u>	
	<u>After June 30,</u> <u>2002</u>	<u>2001</u>	<u>July 31,</u> <u>2002</u>	<u>July 31,</u> <u>2001</u>
Technology Related Revolving Loan	0.00	0.00	0.00	0.00
Traumatic Brain and Spinal Cord Injury	2,506.50	31,600.00	500.00	7,500.00
BRIM Premium	0.00	0.00	0.00	0.00
	<u>\$129,993.05</u>	<u>\$132,020.81</u>	<u>\$16,219.00</u>	<u>\$74,225.09</u>

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

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are four and one-half percent of the annual compensation and employees have vested rights under certain circumstances. The West Virginia Division of Rehabilitation Services matches contributions at 9.5% of the compensation on which the employees made contributions.

The Division of Rehabilitation Services' pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>
General Revenue	<u>\$438,742.00</u>	<u>\$431,894.00</u>

SUPPLEMENTAL INFORMATION

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>
<u>General Administrative Account -</u>		
<u>Personal Services - Fund 0310-001</u>		
Appropriations	\$4,493,386.00	\$4,421,291.00
Expenditures:	<u>4,493,386.00</u>	<u>4,421,291.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<u>General Administrative Fund -</u>		
<u>Annual Increment - Fund 0310-004</u>		
Appropriations	\$ 124,961.00	\$ 124,961.00
Expenditures	<u>124,961.00</u>	<u>124,961.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<u>General Administrative Fund -</u>		
<u>Employee Benefits - Fund 0310-010</u>		
Appropriations	\$1,705,731.00	\$1,693,488.00
Expenditures	<u>1,705,731.00</u>	<u>1,693,488.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>
<u>General Administrative Fund -</u>		
<u>Unclassified - Fund 0310-099</u>		
Appropriations	\$ 150,000.00	\$ 150,000.00
Expenditures:		
Current Expenses	150,000.00	150,000.00
Repairs and Alterations	0.00	0.00
Assets	<u>0.00</u>	<u>0.00</u>
	<u>150,000.00</u>	<u>150,000.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>6,736.97</u>	<u>0.00</u>
Balance	<u>\$ 6,736.97</u>	<u>\$ 0.00</u>
 <u>Workshop Development - Fund 0310-163</u>		
Appropriations	\$1,799,000.00	\$1,799,000.00
Expenditures		
Current Expenses	1,754,104.23	1,675,437.67
Case Services	<u>44,895.77</u>	<u>69,592.33</u>
	<u>1,799,000.00</u>	<u>1,745,030.00</u>
	0.00	53,970.00
Transmittals Paid After June 30	<u>5,361.39</u>	<u>0.90</u>
Balance	<u>\$ 5,361.39</u>	<u>\$ 53,970.90</u>

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>
<u>Extended Supported</u>		
<u>Employment Services - Fund 0310-206</u>		
Appropriation	\$121,250.00	\$125,000.00
Expenditures		
Current Expenses	48,137.54	91,432.41
Case Services	<u>73,112.46</u>	<u>29,812.50</u>
	<u>121,250.00</u>	<u>121,244.91</u>
	0.00	3,755.09
Transmittals Paid After June 30	<u>79,098.41</u>	<u>100,419.91</u>
Balance	<u>\$ 79,098.41</u>	<u>\$104,175.00</u>
 <u>Capital Outlay Restrooms - Fund 0310-301</u>		
Appropriation	\$300,000.00	\$ 0.00
Expenditures		
Current Expenses	37.97	0.00
Repairs & Alterations	285,221.48	0.00
Assets	12,283.00	0.00
Case Services	<u>2,457.55</u>	<u>0.00</u>
	<u>300,000.00</u>	<u>0.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>36,289.78</u>	<u>0.00</u>
Balance	<u>\$ 36,289.78</u>	<u>\$ 0.00</u>

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>
<u>Pay Equity Reserve - Fund 0310-364</u>		
Supplemental Appropriation - S.B. 639	\$ 279.00	\$ 0.00
Expenditures	<u>0.00</u>	<u>0.00</u>
	279.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 279.00</u>	<u>\$ 0.00</u>
 <u>Ron Yost Personal Assistance Fund</u>		
<u>Fund 0310-407</u>		
Appropriations	\$291,000.00	\$300,000.00
Expenditures		
Current Expenses	0.00	291,000.00
Grants, Awards, Scholarships, and Loans	291,000.00	0.00
Case Services	0.00	0.00
Other Interest and Penalties	<u>0.00</u>	<u>0.00</u>
	<u>291,000.00</u>	<u>291,000.00</u>
	0.00	9,000.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 9,000.00</u>

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>
<u>Salary Shortfall - Surplus - Fund 0310-497</u>		
Supplemental Appropriation - H.B. 302	\$15,719.00	\$ 0.00
Expenditures:		
Personal Services	0.00	0.00
Employee Benefits	<u>0.00</u>	<u>0.00</u>
	<u>0.00</u>	<u>0.00</u>
	15,719.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$15,719.00</u>	<u>\$ 0.00</u>
 <u>Technology - Related Assistance Revolving Loan</u>		
<u>Fund for Individuals with Disabilities Fund 0310-766</u>		
Reappropriations:		
Fiscal Year 1997	\$32,099.87	\$67,312.60
Expenditures		
Grants, Awards, Scholarships, and Loans	<u>9,945.55</u>	<u>35,212.73</u>
	22,154.32	32,099.87
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$22,154.32</u>	<u>\$32,099.87</u>

WEST VIRGINIA DIVISION OF REHABILITATION SERVICES

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>
<u>Traumatic Brain and Spinal Cord Injury</u>		
<u>Fund 0310-813</u>		
Appropriations	\$242,500.00	\$250,000.00
Expenditures		
Current Expenses	159,830.00	239,400.00
Assets	0.00	0.00
Grants, Awards, Scholarships, and Loans	60,238.50	0.00
Case Services	<u>21,931.50</u>	<u>3,100.00</u>
	<u>242,000.00</u>	<u>242,500.00</u>
	500.00	7,500.00
Transmittals Paid After June 30	<u>2,506.50</u>	<u>31,600.00</u>
Balance	<u>\$ 3,006.50</u>	<u>\$ 39,100.00</u>
<u>BRIM Premium - Fund 0310-913</u>		
Appropriations	\$ 45,463.00	\$ 35,263.00
Expenditures		
Current Expenses	<u>45,463.00</u>	<u>35,263.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Theford 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 4th day of August 2003.



Theford 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 the Governor; Attorney General; State Auditor; and, Director of Finance, Department of Administrations.