

JOINT COMMITTEE ON GOVERNMENT AND FINANCE
WEST VIRGINIA OFFICE OF THE LEGISLATIVE AUDITOR

POST AUDIT DIVISION

LEGISLATIVE AUDIT REPORT

Supreme Court of Appeals of West Virginia - Inventory Management

Legislative Auditor: Aaron Allred
Post Audit Division Director: Justin Robinson



POST AUDIT DIVISION

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Supreme Court of Appeals of West Virginia - Inventory Management

September 14, 2021

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GENERALLY ACCEPTED GOVERNMENT
AUDITING STANDARDS STATEMENT

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (**GAGAS**). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

POST AUDIT DIVISION
Justin Robinson, Director

The Legislative Auditor conducted an audit of the Supreme Court of Appeal's fixed asset inventory records and procedures. This audit was conducted to determine if the Court has a complete and up-to-date fixed asset inventory record that ensures reportable items are properly accounted for. The Court is responsible for the purchasing, accounting, and record keeping of all fixed asset inventoriable items at the Court's State Capitol location (Central Administration), as well as certain fixed asset inventoriable items located at and utilized by the Magistrate, Family and Circuit Courts throughout the entire state.

Initial Inventory Audit - 2018

In March of 2018, the Legislative Auditor instructed the Post Audit Division to conduct an audit of the Court's fixed asset inventory. The Legislative Auditor reviewed purchase documents for Fiscal Years 2015 – 2018 to determine those purchases made by the Court that should have been included in the Court's fixed asset inventory record. This initial review revealed extensive inadequacies regarding the oversight and record-keeping of the Court's fixed assets as follows:

1. After making initial inquiries of the Court during the early stages of the audit, Court staff informed us that the Court had no written policies or procedures for documenting and safeguarding the Court's fixed assets.
2. The Court had not sufficiently maintained a fixed asset inventory record since at least Fiscal Year 2012. The Legislative Auditor obtained the Court's asset inventory record as documented in wvOASIS on March 15, 2018. The record only contained 26 items, including five vehicles, with a combined acquisition cost of \$368,946. As stated above, the Court had no policy for documenting and safeguarding the Court's assets; therefore, in order to determine fixed asset inventoriable items, the Legislative Auditor applied the fixed asset inventory thresholds outlined in the Department of Administration's *Surplus Property Operations Manual* for Executive Branch agencies. If the Court had a fixed asset policy mirroring the Department of Administration's policy, the Court would have been required to record approximately \$2.7 million of inventoriable assets in the wvOASIS *Fixed Asset Module* for items purchased during Fiscal Years 2015 through 2018.

It is important to note the \$2.7 million in inventoriable assets cited above is limited to purchases made during four Fiscal Years. The actual value of omitted purchases that should have been included in the Court's fixed asset inventory record would likely be significantly more since the Court had not adequately maintained the record since at least Fiscal Year 2012.

Subsequent Actions Taken by the Court

On **May 30, 2018**, the Court informed the Legislative Auditor that approximately nine weeks earlier the Court began compiling a fixed asset inventory list external to wvOASIS in a SharePoint¹ computer database. The Court further asserted that fixed asset inventoriable items recorded in SharePoint would be transferred to the wvOASIS *Fixed Asset Module* on or before August 1, 2018. Per a request from the Legislative Auditor dated **June 14, 2018**, the Supreme Court provided the Legislative Auditor a copy of the SharePoint record, various other forms used

¹ **SharePoint** is a web-based collaborative platform that integrates with Microsoft Office.

to compile and maintain the record, as well as a summary document entitled “*West Virginia Supreme Court of Appeals Technology Assets – Status Update.*”

The asset confirmation method set forth in the summary document²—specifically, a physical inspection of items along with a comparison of the results of this inspection against surplus/recycled property records by the Court—does provide a level of assurance that **assets on hand** have been entered into the Court’s internal fixed asset system. However, this method alone does not provide assurance that all **reportable assets purchased** by the Court are included in the asset record and that items are either currently in possession of the Court or have been properly retired. Purchased fixed assets that were subsequently lost, misplaced, or stolen would not be identified as they would not be on-hand to be physically observed.

Obtaining sufficient assurance requires the additional confirmation method of identifying reportable items from purchasing records and ensuring these items are recorded in the appropriate wvOASIS fixed asset record with all required fields. Further, if not retired, the items should be traced to their physical location by matching the asset tag number and serial number, if applicable, to the corresponding fields in the fixed asset record.

The Legislative Auditor also reviewed the SharePoint asset inventory record to determine if the record incorporated the necessary descriptive categories (i.e., serial number, asset tag number, asset cost, etc.) common to most fixed asset inventory systems. Through this procedure, it was determined that fields pertaining to both the date the asset was received by the Court and acquisition cost of the asset were incomplete for a substantial percentage of items.

Given these noted issues and the Court’s continued work toward implementing a more effective inventory management system, it was determined that allowing the Court to fully implement this new system and then re-evaluate the system once implemented would lead to a more thorough audit review.

2019 Audit of Court’s New Procedures and Policy Update

In January 2019, the Court developed and enacted a formal asset management policy³. This policy defines a *Reportable Asset* as:

...A Tangible Asset, excluding Expendable Commodities as defined, that has an original acquisition cost of \$1,000 or more and a useful life of one year or longer....

Further, the Court’s asset management policy stipulates that *Reportable Assets*, as well as computers with an acquisition cost of \$500 or more and all firearms regardless of cost, must be entered into the wvOASIS *Fixed Asset Module*.

To determine the effectiveness of the Court’s asset management policy, the Legislative Auditor began auditing procedures in August 2019, designed to evaluate the accuracy and completeness of the Court’s wvOASIS fixed asset inventory record. These procedures included an

² The Legislative Auditor utilized the Court’s July 11, 2018 Inventory Summary, and information provided verbally by the Court on May 30, 2018 to determine the Court’s overall fixed asset confirmation methodology.

³ See Appendix C on Page 11 of this report.

analysis of purchase documents in wvOASIS for five Fiscal Years (2015–2019). From these documents, the Legislative Auditor compiled a list of 911 items with an original acquisition cost totaling \$2,230,889.31 that should have been included in the Court's wvOASIS fixed asset inventory record per the Court's formal asset management policy manual (effective January 2019).

Using auditor judgement, the Legislative Auditor selected a sample of 454 of these items with acquisition cost totaling \$762,883⁴ and determined **299 items costing \$537,137, were not documented in the wvOASIS fixed asset record. These 299 items represented 66% of the 454 items in the sample. The audit sample of 454 items included 381 computers with an original acquisition cost of \$377,573, of which 252, costing \$242,019, were not documented in the Court's wvOASIS fixed asset record.**

The Legislative Auditor performed additional testing procedures to determine if the Court had entered fixed asset inventoriable items not found in the audit of the fixed asset record into the wvOASIS *Assets Retired Module*. The Legislative Auditor reviewed assets retired by the Court from July 1, 2013 through October 31, 2019 and determined the inventoriable items missing from the Court's wvOASIS *Fixed Asset Module* were also not included in the 2,633 items contained within the Court's wvOASIS *Assets Retired Module*.

The Legislative Auditor communicated the results of this follow-up review to the Court. The Court responded by acknowledging the conclusions reached from the Legislative Auditor's follow-up review and noted that a majority of the missing items were "...computer equipment, such as desktops, laptops, and switches..." The Court further explained that its IT Division maintains a database of equipment outside of wvOASIS, in BarCloud (previously in SharePoint).⁵ The response also indicated that the Court's IT Division was able to provide a list of the physical locations of the missing items identified in the audit to the Court's Administrative Director/Chief Financial Officer. Moving forward, it was stated, all computer equipment purchases will be entered into wvOASIS by the IT Procurement Specialist, who has access to both databases (BarCloud and wvOASIS), and would, therefore, have the ability to verify that both databases are accurate and complete. Finally, the Court anticipated the missing items noted in the Legislative Auditor's would be entered into wvOASIS by March 31, 2020.

2020 Audit of Court's Inventory Management System

In August 2020, approximately two-and-a-half years after the Court initiated efforts to compile a fixed asset inventory list, the Legislative Auditor again evaluated the accuracy and completeness of the Court's wvOASIS fixed asset inventory record. To accomplish this, the Legislative Auditor compared the list of the 299 fixed asset items previously referenced as unaccounted for in the 2019 audit to the Court's August 2020 wvOASIS Fixed Asset inventory record.

⁴ From the Legislative Auditor's review of the Court's fixed asset purchases for Fiscal Years 2015-2019 it was determined that the Court purchased a substantial number of computers, and other high-value electronic equipment and devices. Therefore, the Legislative Auditor sought to establish a test sample representative of these specific items.

⁵ **BarCloud Asset** is a cloud-based asset management solution system. [The Legislative Auditor did not inquire as to why the Court switched from SharePoint to BarCloud]. An evaluation of the accuracy and completeness of the Court's internal database is outside the scope of this audit.

The Legislative Auditor determined that 248 out of the 299 previously unaccounted for fixed asset items were included in the Court’s August 2020 wvOASIS Fixed Asset inventory record. These 248 items had an associated combined original purchase price of \$329,172.

There were 51 items unaccounted for in the August 2019 audit that remained unaccounted for in the August 2020 audit. These items had a combined original purchase price of \$207,964 and included Dell desktop and laptop computers with a total cost of \$12,886—two of which had a recorded purchase price of \$1,671.64 each. Additionally, the Legislative Auditor identified several sound system component purchases (amplifiers, sound mixers), as well as a *Morphotrack Livescan* biometric fingerprint identification system purchased for \$27,495, that were absent from the Court’s August 2020, wvOASIS fixed asset record.

It should be noted that while the Court’s wvOASIS Fixed Asset inventory record is still incomplete, a significant amount of progress has been made by the Court towards ensuring the record is accurate and up to date. As referenced above, the Court’s March 2018 wvOASIS Fixed Asset inventory record contained only 26 items, with a total value of \$368,946. The following table summarizes the results of the Legislative Auditor’s subsequent audit procedures for Fiscal Years 2019 and 2020.

Audit Date ¹	No. of Items Audited ²	Acquisition Cost Sample	Items Recorded in wvOASIS ³	Acquisition Cost Items Recorded
August 2019	454	\$762,883	155 (34%)	\$225,747 (30%)
August 2020	454	\$762,883	403 (89%)	\$554,919 (73%)

¹ The audit date is reflective of the commencement of audit procedures. Certain audit procedures extended beyond the month and year specified.

² The same sample of 454 items was used for both the 2019 and the 2020 audit.

³ Includes the percentage of the number [column 4] and acquisition cost [column 5] of sampled items recorded in the Court’s wvOASIS *Fixed Asset Module* for the corresponding Fiscal Year.

Governmental Accounting Standards Board’s Statement No. 87

In addition to evaluating the status of the Court’s fixed asset inventory in 2020, the Legislative Auditor also sought to determine the extent to which the Court complied with the Governmental Accounting Standards Board’s Statement No. 87 (GASB 87). This new accounting standard for government organizations was proposed during 2017 and released in June of that year. It was initially effective for reporting periods that began subsequent to December 15, 2019.⁶

The purpose of GASB 87 is to equip government entities with improved accounting and financial reporting guidelines by:

...requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational

⁶ In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which delayed the GASB 87 effective date by 18 months. This pronouncement now requires the adoption of GASB 87 for all Fiscal Years that begin subsequent to June 15, 2021. However, the requirement to restate all prior periods presented, if practicable, remains.

principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities....(emphasis added)

The Legislative Auditor requested information from the Court regarding compliance with GASB 87 in the February 7, 2020 informational request letter. The Court's February 19, 2020 response letter stated in part:

...The Court has leased property which is subject to the provisions of GASB 87. The leases have been entered into wvOASIS and were reported to the Real Estate Division as required. We have updated our Asset Management policy to reflect the reporting requirement....

The Legislative Auditor analyzed wvOASIS real estate records for the Court as well as the West Virginia Department of Administration-Real Estate Division's *Real Property and Lease Report for all State Spending Units* for Fiscal Years 2019 and 2020. The Legislative Auditor concurs with the Court that all [real] leased property subject to the provisions of GASB 87 has been entered into wvOASIS and reported to the Real Estate Division as required.

GASB 87 defines a lease as a “...contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction....” Nonfinancial assets, according to this Standard, could include buildings, land, vehicles, and equipment.

From the Legislative Auditor's review of the Court's fixed asset inventory and related purchasing documentation, it was determined that the Court purchased one vehicle during the audit period (FY 2015 – 2019) and the specific vehicle had been properly entered into the wvOASIS Fixed Asset Record⁷. In addition, the Court's February 19, 2020, response provided information regarding compliance with GASB 87 for leased *real property* but did not speak to either the applicability or degree of compliance with GASB 87 for non-real property (i.e., leased copiers/printers or other large-scale office equipment).

The Legislative Auditor sought to determine the Court's compliance with GASB 87 (non-real property) by performing testing procedures on a limited number of the Court's wvOASIS purchasing transaction records (and accompanying supporting documentation). The results from

⁷ W.Va. Code §5A-12-7 requires each state spending unit to report all vehicles and equipment requiring a state license plate in the state's centralized accounting system (wvOASIS). Although the Legislative Auditor did not perform testing procedures specifically designed to evaluate the Court's compliance with W.Va. Code §5A-12-7, an analysis of the Court's wvOASIS Fixed Asset record, as of August 31, 2020, revealed 17 vehicles entered by the Court as reportable assets. Except for one Ford F350 Truck purchased in December 2015, the vehicles were acquired preceding the audit period (FY 2014-2019) and, therefore, were not included in the Legislative Auditor's population of reportable assets obtained from the Court's purchasing records.

these testing procedures found no instances of leased non-real property (as defined in GASB 87) by the Court.

Conclusion

The Legislative Auditor's initial review of the Court's fixed asset inventory found that only 26 items had been entered into wvOASIS. Subsequent actions taken by the Court improved the wvOASIS fixed asset listing; however, the Court did not meet its goal of transferring fixed asset information from its internal record into wvOASIS by August 1, 2018. Ensuing analysis revealed that as of August 2019, a substantial percentage of reportable items remained unrecorded in the Court's wvOASIS fixed asset listing. Finally, audit procedures performed in August 2020 showed a marked improvement in the Court's wvOASIS fixed asset listing, with a sizable majority of items now documented in the wvOASIS *Fixed Asset Module*.

The progress made by the Court towards ensuring complete and up-to-date fixed asset records for a large volume of diverse items located throughout the State deserves recognition. However, the Legislative Auditor has concerns about the completeness and accuracy of the Court's wvOASIS fixed asset record due to the substantial amount of time involved in achieving the aforementioned progress. Additionally, the asset confirmation method initially adopted by the Court consisting of a physical inspection of items along with a comparison of the inspection results against surplus/recycled property records does not provide assurance that all reportable assets are included in the asset record as purchased fixed assets that were subsequently lost or stolen prior to such an inspection would not be on-hand to be observed. Further, as of August 2020, some reportable items purchased by the Court during Fiscal Years 2015 through 2019 remain undocumented in wvOASIS.

Maintaining complete, accurate, and up-to-date asset inventory records is a critical component in ensuring State-owned assets are accounted for and not lost, stolen, or disposed of improperly. This is especially important for the Court as it operates throughout the entire state and maintains assets at locations that are far away from its central office in Charleston. Although the Court does maintain an internal asset inventory record and has made considerable improvements to its wvOASIS *Fixed Asset Module*, a complete and up-to-date record has still not been achieved, which is a violation of the Court's Asset Management Policy, Section 4(a). This section states:

Reportable Asset Further Defined. Any Tangible Asset, excluding Expendable Commodities as defined, that has an original acquisition cost of \$1,000 or more and a useful life of one year or longer must be entered into the wvOASIS Fixed Asset Module and will be referred to herein as "Reportable Assets." The Coordinator may enter assets that do not meet the definition of Reportable Assets into the Fixed Asset Module, but he or she is not required to do so. Any asset entered into the Fixed Asset Module will be treated as a Reportable Asset for procedural purposes, whether or not the property meets the definition of Reportable Assets above.

Recommendation

The Legislative Auditor has the following recommendation:

1. The Legislative Auditor recommends the West Virginia Supreme Court of Appeals adhere to its Asset Management Policy and enter all “Reportable Assets” into the wvOASIS *Fixed Asset Module*. This process should include ensuring all fixed assets are permanently tagged with a unique identifying number. The number should be recorded in the *Fixed Asset Module* along with an item description, purchase price and serial number, if applicable, of the item. In addition, each fixed asset’s physical location or employee assignment, if applicable, should be documented and any subsequent moves within or outside the facility should be recorded. Lastly, any retirement of assets should be documented in the appropriate wvOASIS record to ensure the fixed asset inventory is current.

WEST VIRGINIA LEGISLATIVE AUDITOR'S OFFICE

Post Audit Division

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Justin Robinson
Director



August 24, 2021

Joseph Armstrong, Administrative Director
Supreme Court of Appeals of West Virginia
1900 Kanawha Blvd. E.
Bldg. 1, Room E-100
Charleston, WV 25305

Administrative Director Armstrong:

This letter is to transmit a draft copy of the Post Audit Division's report on the inventory management of the Supreme Court of Appeals of West Virginia (the Court). The work that resulted in this report was conducted over the past three years and involved numerous communications with the Court concerning its progress toward improving its inventory management system, as well as several reviews of the Court's inventory record. It was our intent to complete this work and release a report last year, however the pandemic created some challenges that caused the report to be delayed.

This report is tentatively scheduled to be presented during the September interim meeting of the Post Audits Subcommittee. While the exact date and time of the meeting has not been set, the September interims will be held September 12-14, 2021, and the meeting will be scheduled during those dates. We will inform you of the exact date and time once the information becomes available. It is recommended that a representative from the Court be present at the meeting to respond to the report and answer any questions committee members may have during or after the meeting.

If you would like to schedule an exit conference to discuss this draft report or any concerns you may have, please contact Stan Lynch, CPA, Audit Manager, at (304) 347-4880 by **Tuesday, August 31, 2021**. In addition, if you desire to provide a written response to be included in the report, we ask that this response be provided by noon on **Monday, September 6, 2021**, for it to be included in the final report. Thank you for your cooperation.

Sincerely,

A handwritten signature in blue ink, appearing to read "Justin Robinson".

Justin Robinson

Enclosure

C: The Honorable Evan H. Jenkins, Chief Justice, Supreme Court of Appeals of West Virginia

Objective, Scope, and Methodology

The Post Audit Division, with the Office of the Legislative Auditor, conducted this post audit as authorized by Chapter 4, Article 2, Section 5 of the West Virginia Code, as amended. The audit was conducted in accordance with the standards applicable to performance audits contained in the generally accepted government auditing standards (GAGAS) issued by the Government Accountability Office.

The Legislative Auditor's Office reviews the statewide single audit and the DOH financial audit annually with regards to any issues related to the wvOASIS financial system. The Legislative Auditor's Office on a quarterly basis requests and reviews any external and internal audits of the wvOASIS financial system. Through its numerous audits, the Legislative Auditor's Office is constantly testing the financial information contained in the wvOASIS financial system. In addition, the Legislative Auditor's Office has sought the professional opinion of the reliability of wvOASIS from the Joint Committee on Government and Finance's Fiscal Officer who, along with her staff, uses the wvOASIS system daily. Based upon these actions, along with the audit tests conducted on the audited agency, it is our professional judgement that information in the wvOASIS system is reliable for auditing purposes under the 2011 Yellowbook. However, in no manner should this statement be construed as a statement that 100 percent of the information or calculations in the wvOASIS financial system is accurate.

Objective 1:

To determine if the West Virginia Supreme Court of Appeals (Supreme Court) maintains a complete and accurate fixed asset inventory record in the wvOASIS Fixed Asset Module in accordance with the Court's Asset Management Policy.

Objective 2:

To determine if the Court has developed policies and procedures that address the new accounting requirements for leased properties and/or equipment subject to the provisions of GASB 87 (effective for all reporting periods subsequent to December 15, 2019).

Scope:

The scope of this review consists of an analysis of the Supreme Court's wvOASIS purchasing reports for fiscal year 2015 through fiscal year 2019, as well as analysis of the Supreme Court's wvOASIS fixed asset records for fiscal year 2018 through fiscal year 2020. Further, the scope includes a review of assets retired by the Supreme Court as recorded in the wvOASIS Assets Retired Module from July 1, 2013, through October 31, 2019; a review of the Supreme Court's wvOASIS real estate record as of November 2, 2020; and a review of all applicable policies, procedures and asset/equipment forms adopted and utilized by the Court for fiscal year 2015 through fiscal year 2019.

Methodology:

Post Audit staff gathered and analyzed several sources of information and assessed the sufficiency and appropriateness of the information used as evidence. Testimonial evidence was

gathered through interviews and email correspondence with various employees at the Supreme Court. The purpose for testimonial evidence was to gain a better understanding or clarification of a certain issue, to confirm the existence or non-existence of a condition, or to understand the respective agency's position on an issue. Such testimonial evidence was confirmed by either written statements or the receipt of corroborating physical evidence.

Specifically, audit staff reviewed and compared the purchasing and fixed asset inventory records of the Supreme Court, as maintained in wvOASIS, to obtain an understanding of the quantity and type of assets purchased by the Court, and to determine the accuracy and completeness of the Court's fixed asset inventory record. In addition, the Legislative Auditor reviewed the Court's wvOASIS real property record to assess the Court's level of compliance with the provisions of the Governmental Accounting Standard Board's Statement No. 87. Further, the Legislative Auditor reviewed the following wvOASIS financial reports and auxiliary supporting documentation for context and corroborating evidence.

1. *wvOASIS Assets Retired Module* – to determine if reportable items (as defined by the Department of Administration's Surplus Property Operations Manual for Executive Branch agencies and/or the Court's Asset Management Policy) not located in the Court's wvOASIS Fixed Asset Inventory record were retired, or otherwise disposed of by the Court.
2. *wvOASIS Fixed Asset Real Estate Module* – to determine the accuracy and completeness of the Court's real property asset record, and compliance with the provisions of the Governmental Accounting Standard Board's Statement No. 87, which requires a lessor to recognized certain leases as lease receivables and as deferred inflows of resources.
3. *Electronic copy of the Court's internal IT Fixed Asset Inventory record as recorded in Sharepoint* (a web-based collaborative platform that integrates with Microsoft Office) - to obtain an understanding of the Court's procedures for recording fixed asset type items outside of the wvOASIS system.
4. *Sample Copies of request forms sent by the Lower Court's to the Supreme Court for obtaining fixed-asset type items* – to obtain an overall understanding of the Court's procedures for requesting, approving and allocating assets between its various administrative levels.

Further, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



SUPREME COURT OF APPEALS OF WEST VIRGINIA

Asset Management Policy and Procedure Finance Division

1. Scope and Purpose.

The Supreme Court of Appeals of West Virginia (“the Court”) establishes this policy to prescribe the fiscal rules for asset management in all facets of its business. Accordingly, while this policy is patterned in large part after the State of West Virginia Department of Administration’s Surplus Property Operations Manual, it is designed to establish a distinct set of policies, procedures, and guidelines for Court asset management. As such, this policy applies to all employees of the Supreme Court of Appeals, including all Judicial Officers and Employees of Circuit Courts, Probation Officers, Family Courts, Magistrate Courts, the Administrative Office, Board of Law Examiners, Office of Disciplinary Counsel, the Supreme Court of Appeals’ Clerk’s Office, Circuit Clerks and their employees, and the Judicial Investigation Commission.

To the extent these rules fail to provide the adequate guidance in addressing or resolving a specific problem or question related to asset management, the Administrative Director and Chief Financial Officer (“CFO”) shall address the matter and, with approval of the Court, establish the fiscal rules to be followed in these special situations.

Breaches of this policy and of all State and other standards referenced in this policy may result in disciplinary or other corrective action.

2. Definitions. For the purpose of this policy and procedures, key terms are defined as follows.

(a) *Commodities*: Supplies, materials, equipment, contractual services and any other articles or things used by or furnished to the Court.

(b) *Expendable Commodities*: Commodities which, when used in the ordinary course of business, will become consumed or of no market value within the period of one year or less.

(c) *Tangible Asset*: An asset that has physical form. Tangible Assets include both fixed assets, such as machinery and buildings, and current assets, such as inventory.

(d) *Reportable Asset*: A Tangible Asset, excluding Expendable Commodities as defined, that has an original acquisition cost of \$1,000 or more and a useful life of one year or longer.

(e) *Non-Reportable Asset*: A Tangible Asset that is valued at less than \$1,000 or has a useful life of less than one year, or an asset that is expendable in nature.

Effective Date:	2019 01-07
Revision Date:	2019 01-07
Review Date:	2019 01-07

3. Responsibilities. The following are the primary responsibilities involved in managing Court assets.

(a) The Court is responsible for every asset under its jurisdiction, regardless of its state (removable or fixed), origin, or acquisition cost.

(b) The Court is responsible for maintaining assets from the date of purchase of the asset to the date of retirement of the asset, including but not limited to keeping equipment secure, entering assets into the *wvOASIS* accounting system where required by this policy, conducting physical inventories, retiring assets properly, and training employees on asset management, in accordance with this policy, and applicable State laws and standards.

(c) To meet these responsibilities, the Court designates the Finance Division with the primary responsibility to manage its assets and, accordingly, the CFO will designate a Fixed Asset Coordinator (“the Coordinator”) to manage all responsibilities with regard to assets.

4. Management and Handling of Reportable Assets. The Finance Division is responsible to meet the following standards for managing and handling Reportable Assets. These requirements incorporate standards outlined in the State Surplus Property Operations Manual: http://www.state.wv.us/admin/purchase/surplus/surplus_operations_manual.pdf

(a) **Reportable Asset Further Defined.** Any Tangible Asset, excluding Expendable Commodities as defined, that has an original acquisition cost of \$1,000 or more and a useful life of one year or longer must be entered into the *wvOASIS* Fixed Asset Module and will be referred to herein as “Reportable Assets.” The Coordinator may enter assets that do not meet the definition of Reportable Assets into the Fixed Asset Module, but he or she is not required to do so. Any asset entered into the Fixed Asset Module will be treated as a Reportable Asset for procedural purposes, whether or not the property meets the definition of Reportable Assets above.

(b) **Exceptions.** The Coordinator must enter the following Commodities into the Fixed Asset Module and, as described in this policy, they will be considered Reportable Assets even if not within the definition of Reportable Assets above.

- Firearms regardless of the cost.
- All computers (including laptops and central processing units [“CPU”]) with an acquisition cost of \$500 or more.

5. Acquisition Cost.

(a) The acquisition cost of assets is determined as the actual cost of that asset as evidenced by invoices or purchase orders.

(b) The Coordinator can also determine acquisition cost by a reasonable method of estimation in the event that no invoice or purchase order records exist. If the Coordinator relies upon an estimation method to determine the acquisition cost of an asset, the

Coordinator must thoroughly document the estimation method used and the documentation related to the estimate shall be maintained in the appropriate file for audit purposes.

6. Group Purchase/Unit Cost.

(a) **Per Item Basis.** Assets should be inventoried on a “per item” basis. Individual items making one working component are to be inventoried as one asset. In the event, however, that an asset was purchased for the purpose of enhancing or upgrading an item, the cost of the upgrade can be entered into the Fixed Asset Module as a betterment.

(b) **Group Asset Purchases.** Group purchases of assets shall not be recorded in the Fixed Asset Module in the aggregate, but as individual assets if the individual asset has an original, unit acquisition cost of \$1,000 or more and has a useful life of one year or longer, that is, if the individual asset is a Reportable Asset. Individual Assets that are also Reportable Assets shall bear a separate numbered inventory tag.

(c) **Exception.** An exception to the standards outlined in this policy section is Library Holdings. For Library Holdings, at the end of each fiscal year, the Coordinator shall account for all books purchased during that fiscal year as a new asset (i.e. one lot of books), and enter this information in the Fixed Asset Module accordingly.

7. Donations.

(a) **Donated Asset Defined.** An asset is a “Donated Asset” if it is acquired as a gift from an individual or organization. Donated Assets are to be tagged and included in the Fixed Asset Module if the Donated Asset is valued at \$1,000 or more on the date the gift is given and has a useful life of one year or longer, that is, if the Donated Asset is a Reportable Asset.

(b) **Valuation of Donated Assets.** Donated Assets are valued at fair market value on the date the gift is given.

8. Non-Reportable Assets.

Non-Reportable Assets are not required to be entered into the Fixed Asset Module.

9. Computer Software/Modular Furniture.

(a) **Computer Software.** Computer software is not a Tangible Asset; therefore, it is also a Non-Reportable Asset.

(b) **Modular Furniture.** Modular furniture is not considered a Reportable Asset if each unit separately purchased does not cost more than \$1,000 per piece. Modular furniture that costs more than \$1,000 per piece is considered a Reportable Asset and must be placed in the Fixed Asset Module.

10. Identification Tags.

- (a) All Reportable Assets must have a numbered identification tag affixed to the asset.
- (b) The Coordinator, or designee, will be responsible for obtaining and placing the proper tags on all Reportable Assets for which the Coordinator or designee is responsible.
- (c) The Coordinator must ensure that identification tags are placed on all Reportable Assets in such a manner that the tag can be easily seen and read.
- (d) The Coordinator is not required to tag Non-Reportable Assets.

11. Added Property. When the Court acquires Reportable Assets, the Coordinator should enter the assets into the Fixed Asset Module and label the assets with a numbered identification tag as soon as the vendor's invoice has been paid.

12. Corrections to Assets.

- (a) The Coordinator is able to make corrections to data entered into the Fixed Asset Module with review and approval of the correction made by a separate employee within the Finance Division. Corrections are generally required to be made within thirty (30) days from entry of the asset into the Fixed Asset Module.
- (b) After the 30-day grace period, all corrections to the Fixed Asset Module must be submitted on a Fixed Asset Modification Form to the Surplus Property Unit for review and approval of the State Surplus Property Unit. If approved by the Surplus Property Unit, the Fixed Asset Modification will be completed and the requested changes will be made in the Fixed Asset Module.

13. Property/Equipment Transfer. The transfer of Reportable Assets between Court divisions/departments of the Court without approval from the Coordinator is prohibited.

14. Physical Inventory.

- (a) The Coordinator is responsible to ensure that a complete physical inventory of Court assets is conducted once every three years. This physical inventory process must be completed by June 30th of the applicable year and must include all Court Reportable Assets.
- (b) In addition to the three-year inventory described above, it is recommended that a physical inventory be taken when any of the following occurs.
 - The CFO names a new Fixed Asset Coordinator that assumes responsibility for the Court's assets.
 - An organizational change occurs affecting the distribution of assets assigned to a particular location or department.

15. Disposition of Assets.

(a) The Coordinator is responsible to account for the disposition of all Reportable Assets no longer needed or in use by the Court.

(b) The Coordinator is responsible to approve the disposition of all Reportable Assets, designate one of the following methods of disposition, and retire the asset from the Fixed Asset Module.

- Turn over to WV Surplus Property
- Sell on-site
- Trade-in
- Sell for scrap
- Recycle/dispose as waste
- Lost asset
- Stolen asset
- Destroyed asset
- Retire to the WV Office of Technology

(c) The disposition of Non-Reportable Assets (such as office chair or filing cabinet) should be communicated to the Director of Facilities and Fleet Management.

16. Ethical standards for judicial officers and employees

(a) Persons subject to policy: This provisions of this section apply to all employees of the Supreme Court of Appeals, including all Judicial Officers and Employees of Circuit Courts, Probation Officers, Family Courts, Magistrate Courts, the Administrative Office, Board of Law Examiners, Office of Disciplinary Counsel, the Supreme Court of Appeals' Clerk's Office, Circuit Clerks and their employees, and the Judicial Investigation Commission.

(b) Use of public office for private gain:

- i. A person subject to this policy may not knowingly and intentionally use his or her office or the prestige of his or her office for his or her own private gain of that of another person. Incidental use of equipment or resources available to a public official or public employee by virtue of his or her position for personal or business purposes resulting in de minimis private gain does not constitute use of public office for private gain under this subsection. The performance of usual and customary duties associated with the office or position or the advancement of public policy goals or constituent services, without compensation, does not constitute the use of prestige of office for private gain.

(c) Removal: Public officials and public employees may not remove government property from the workplace for their private benefit or that of another person.

(d) Improper Use: Public officials and public employees may not use government property for personal projects or activities that result in private gain.

- (e) This section does not apply to the de minimis use of government property.

The details of this policy and all Court policies are subject to modification by the Court at any time as situations, standards, and legal requirements may change. The Court will ensure that all employees are notified of any such modification in a timely fashion.

**SUPREME COURT OF APPEALS
STATE OF WEST VIRGINIA
ADMINISTRATIVE OFFICE**

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September 3, 2021

Justin Robinson, Post Audit Division Director
West Virginia Legislative Auditor's Office
1900 Kanawha Blvd. East, Room W-329
Charleston, WV 25305-0610

Director Robinson:

This letter serves as a response to the Post Audit Division's draft report on the inventory management of the Supreme Court of Appeals of West Virginia (the Court), dated August 24, 2021. The response includes results of the internal investigation conducted thus far regarding the 51 remaining fixed assets unaccounted from past audits. Additionally, the response includes strategic changes being implemented to improve underlying processes and oversight methodologies in order to facilitate improved fixed asset accuracy and audit transparency.

Summary of 51 Identified Audit Issues with Resolutions – Assets Totaling \$207,964.44

- 9 Asset Records totaling \$19,813.54 contain inadequate information.
 - Issue: Asset records missing details such as asset tag, serial number, location assignment.
 - Resolution: Missing details have been added to records.
- 4 Assets totaling \$3,651.76 with unidentified status or disposition.
 - Issue: No current official record exists of these assets.
 - Resolution: Due to assets being well beyond end of life, these assets will be disposed with appropriate documentation (as directed by the Post Audit Division).
- 12 Assets totaling \$55,654.98 (Courtroom Technology) not in OASIS.
 - Issue: Assets not recorded.
 - Resolution: All assets listed were confirmed to be installed in their respective counties and assets added to OASIS.
 - Note: Courtroom technology was inherited in 2021 when two Court divisions merged, Facilities and Technology. With new management, a statewide inventory of all courtroom technology is underway in each county, as COVID-related delays and staffing resources allow. Fixed Asset inventory discrepancies will be addressed as they are identified.

- 9 Items totaling \$33,356.30 incorrectly coded as Assets.
 - Issue: Component parts of the HPE Storage Area Network (SAN) appliance were incorrectly entered as separate assets.
 - Resolution: These items were reclassified as memo assets and associated with the appropriate asset.
- 17 Assets totaling \$95,487.86 are no longer property of the Court.
 - Issue: These grant-funded assets were purchased by the Court, then ownership of these items was assumed by the respective county or state entity upon installation.
 - Resolution: These assets were added and transferred to the respective county or state entity in possession of the assets.

Strategic Changes To Processes and Oversight Methodologies

The following changes to process and oversight have been or will be adopted to address accuracy and audit transparency issues.

- Improve consistency and oversight regarding the input of asset and serial numbers, as well as location assignments, in order to facilitate identification of assets in the system.
- Ensure proper documentation is provided to the fixed asset manager at the time assets are transferred to other entities.
- Complete ongoing county-based courtroom technology inventory statewide to address inventory discrepancies as they arise related to equipment location assignments.
- Complete monthly internal audits between BarCloud and OASIS to ensure processes and procedures are followed.

As Director of the Technology and Facility Services Division, I agree with the recommendations provided in the Post Audit Division’s draft report on the inventory management of technology and facility assets.

CC: Chief Justice Evan Jenkins
 Administrative Director Joseph Armstrong
 Chief Financial Officer Sue Troy



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