

WEST VIRGINIA LEGISLATURE
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John Sylvia
Director

December 9, 2011

The Honorable Herb Snyder
West Virginia Senate
Room 217W, Building 1

The Honorable Jim Morgan
West Virginia House of Delegates
Room 213E, Building 1

Dear Chairs:

In the May 16, 2011 interim meeting of the Joint Committee on Government Organization, and the Joint Committee on Government Operations, committee members asked the Legislative Auditor to update the Workforce Development Grant report titled: *It Cannot Be Determined if the State Has Achieved the Intended Outcomes of Workforce Development Grants Because the Council for Community and Technical College Education Has Not Emphasized Developing Outcome Measures*. The Legislative Auditor informed the Chancellor of the Council for Community and Technical College Education (Council) in May that the report would be updated in December, allowing the Council six months to prepare for the update. The Legislative Auditor met with the Chancellor of the Council and officials of the Higher Education Policy Commission (Commission) on November 16, 2011 to review the actions taken by the Council in response to the audit recommendations.

The majority of the audit recommendations reflected the Legislative Auditor's concern that no emphasis was placed on determining if the millions of dollars for workforce development grants were achieving the desired outcomes. Outcome data for the grants were not consistently reported, and no concern had been expressed by the Council to the community colleges that did not report impact data, such as denying future funding if current grant reports were not submitted. Since the audit was issued in May, the Council has made a number of changes in response to the audit recommendations. These changes include:

- creating a penalty for grant recipients that do not provide impact data by tying future awards to submission of required reports;
- employing a fiscal grant monitor;
- revising grant monitoring forms;

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- developing a web-based reporting system to allow for accurate collection of student employment data;
- compiling information from the monitoring forms to assist in analyzing the performance of the programs developed and capacity built for each fiscal year;
- assigning and developing specific staff responsibilities in overall monitoring coordination, data compilation and on-site grant monitoring;
- compiling information about the West Virginia Advance grant approvals, denials and justification; and
- establishing a procedural rule for the West Virginia Advance grant, and the Technical Program grant.

The Council has taken a number of steps to better monitor the grants that it is awarding, and to collect, compile and analyze the data from these grant awards to show the effects of the awards in developing the West Virginia workforce through training. For further details of the response to the audit recommendations, see the attached response from the Council.

Also during the November meeting, the Legislative Auditor discussed audit recommendations 4 and 5 relating to the establishment of a special revolving fund for the Workforce Development Initiative Program grants and the comingling of funds. The Chancellor and the officials of the Commission indicated that the grants are placed into a general fund for gifts, grants and donations. Each grant is then segregated in the fund by a distinct fund number. This creates a “fund-within-a-fund” situation. The Chancellor and officials with the Commission contend that this meets the requirement for a special revolving fund for the Workforce Development Initiative Program grants and also does not represent comingling of funds.

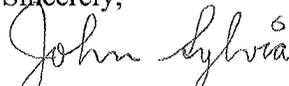
The Legislative Auditor acknowledges that a “fund-within-a-fund” is created and that specific grant funds are distinguished from other grant funds, gifts, and donations by distinct fund numbers. However, the Legislative Auditor disagrees that this process meets the statutory requirement for a special revolving fund. The Legislative Auditor’s understanding of a special revolving fund is that grant funds would be in a fund exclusively used for that grant. Not only is the present situation not consistent with state code, it also creates disadvantages to auditors in the event that workforce development grant monies are audited because it makes it more difficult to audit these grants independently. The Director of the Post Audit Division of the Legislative Auditor noted the following difficulties in auditing commingled funds in higher education institutions:

1. It is always easier to see the revenues and expenditures if funds are not commingled. Therefore, maintaining separate WVFIMS accounts for distinct classes of monies with divergent sources and/or designated uses, not only will result in more efficient external audits, it will assist higher education management in performing their fiduciary oversight responsibility of ensuring that agency revenues and expenditures are collected and disbursed in accordance with any applicable statutory requirements, rules, regulations, contracts, or grant agreements.
2. Commingling increases the chance of error when applying the revenues and expenditures for each account.

3. Commingling increases the risk of restricted funds not being spent for their intended purposes.
4. When auditing commingled funds in higher education institutions, our audit risk increases because we cannot simply run a report from WVFIMS using Crystal Reporting software which shows a breakout of the individual revenues and expenditures of each account that is commingled into the fund. The report would show all of the accounts together, without differentiating. Thus, we would have to rely on the school to pull the information per individual account from the Banner system. If this is the case, the auditors would have to perform additional work to determine and document the information systems controls over the Banner system in order to evaluate whether or not the information pulled is sufficient and reliable. If it is determined the information in Banner is insufficient or unreliable, the auditors will not be able to use the information in their audit work resulting in a possible audit finding. Additionally, several schools we audit do not reconcile their Banner system to WVFIMS. Such reconciliation, when adequately and regularly performed, is a valuable internal control that may catch inputting errors in Banner.

The Legislative Auditor concludes that the Council has made a vigorous response to the audit recommendations if the Council follows through on implementing its response. However, the Legislative Auditor also concludes that the Council should comply with Recommendations 4 and 5 unless a change is made to state code.

Sincerely,



John Sylvia