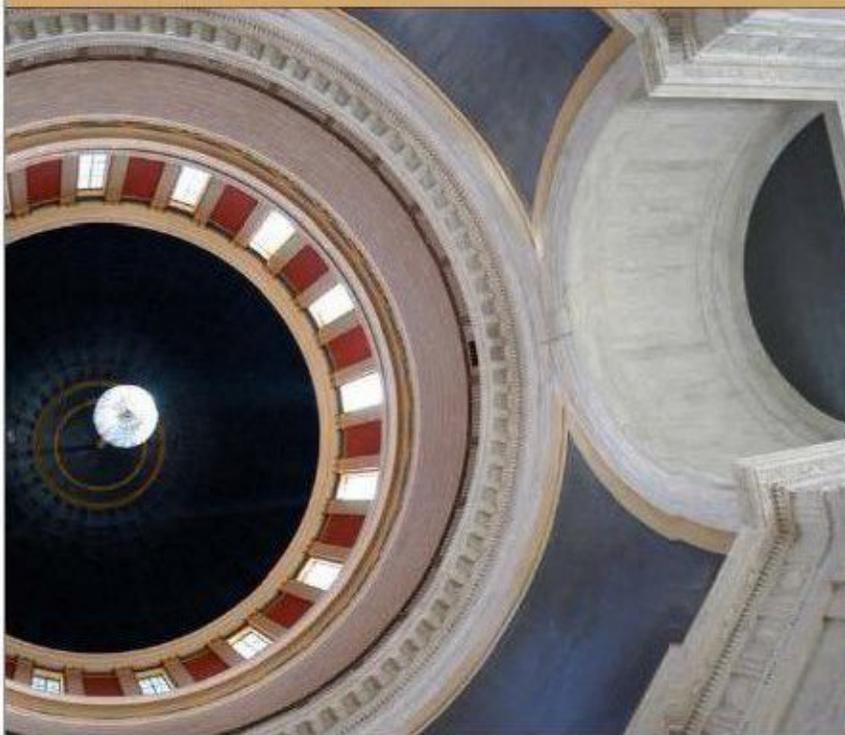


LEGISLATIVE SPECIAL REPORT

CASH RECEIPTS STUDY AS OF SEPTEMBER 30, 2010

REPORT OVERVIEW

- 27.5% of State agencies had a lack of segregation of duties between the recordkeeping and custody function
- 26% of State agencies had collection points that either did not prepare receipts or did not use pre-numbered receipts
- 22% of State agencies did not have written procedures for the revenue collection process



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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The Joint Committee on Government and Finance:

Upon the request of the Legislative Post Audit Sub-Committee, we surveyed State agencies under the Executive branch and Judicial branch of government on their cash receipts policies and procedures. We did not perform any additional audit procedures to ensure the agencies responses were accurate; we solely relied on the agencies responses for the basis of our report. Some agencies responded to the study's findings and we have included these responses at the end of our report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stacy L. Sneed".

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division

**CASH RECEIPTS STUDY
AS OF SEPTEMBER 30, 2010**

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**CASH RECEIPTS STUDY
AS OF SEPTEMBER 30, 2010**

STATE AGENCIES SURVEYED

1. **Department of Administration** (Office of Cabinet Secretary)
2. Aviation Division
3. Children's Health Insurance Program
4. Consolidated Public Retirement Board
5. Ethics Commission
6. Finance Division
7. General Services Division
8. Personnel, Division of
9. Prosecuting Attorneys Institute
10. Public Defender Services
11. Public Employees Grievance Board
12. Public Employees Insurance Agency
13. Purchasing Division
14. Risk and Insurance Management, Board of
15. Technology, Office of
16. **Department of Commerce** (Office of Cabinet Secretary)
17. Development Office, WV
18. Energy, Division of
19. Forestry, Division of
20. Geological and Economic Survey
21. Labor, Division of
22. Miners' Health, Safety and Training
23. Natural Resources, Division of
24. Tourism, Division of
25. Workforce West Virginia
26. **Department of Education and the Arts** (Office of Cabinet Secretary)
27. Culture and History, Division of
28. Educational Broadcasting, WV
29. Library Commission
30. Professional Development, Center for
31. Rehabilitation Services, Division of
32. **Department of Environmental Protection** (Office of Cabinet Secretary)
33. Abandoned Mine Lands, Office of
34. Administration-A/R, Office of
35. Air Quality Board & Environmental Quality Board
36. Air Quality, Division of
37. Environmental Enforcement, Office

- 38. Explosives & Blasting, Office
- 39. Land Restoration, Division of
- 40. Mining and Reclamation, Division of
- 41. Oil and Gas, Office of
- 42. Public Information Office
- 43. Solid Waste Management Board
- 44. Special Reclamation, Office of
- 45. Surface Mine Board
- 46. Water and Waste Management, Division of
- 47. **Department of Health & Human Resources** (Office of Cabinet Secretary)
- 48. Behavioral Health and Health Facilities, Bureau for
- 49. Catastrophic Illness Commission
- 50. Child Support Enforcement, Bureau for
- 51. Children and Families, Bureau for
- 52. Deaf and Hard-of-Hearing, Commission for the
- 53. Developmental Disabilities Council
- 54. Health Care Authority, WV
- 55. Human Rights Commission, WV
- 56. Inspector General, Office of the
- 57. Medical Services, Bureau for
- 58. Public Health, Bureau for
- 59. Women's Commission, WV
- 60. **Department of Military Affairs and Public Safety** (Office of Cabinet Secretary)
- 61. Adjutant General's Office
- 62. Corrections, Division of
- 63. Fire Commission, State
- 64. Homeland Security and Emergency Management , Division of
- 65. Justice and Community Services, Division of
- 66. Juvenile Services, Division of
- 67. Parole, Board of
- 68. Protective Services, Division of
- 69. Regional Jail & Correctional Facility Authority
- 70. State Police, West Virginia
- 71. Veterans Affairs, Division of
- 72. **Department of Revenue** (Office of Cabinet Secretary)
- 73. Alcohol Beverage Control Administration
- 74. Athletic Commission
- 75. Banking, Division of
- 76. Budget Office, State
- 77. Insurance Commissioner, Offices of the
- 78. Lottery Commission
- 79. Municipal Bond Commission
- 80. Racing Commission
- 81. Tax Appeals, Office of

- 82. Tax Department
- 83. **Department of Transportation** (Office of Cabinet Secretary)
- 84. Aeronautics Commission
- 85. Highways, Division of
- 86. Motor Vehicles, Division of
- 87. * Parkways, Economic Development, and Tourism Authority
- 88. Public Port Authority
- 89. Public Transit, Division of
- 90. State Rail Authority
- 91. Agriculture, Department of (including Conservation Agency)
- 92. Attorney General, Office of
- 93. ^ Bar, WV State
- 94. Coal Heritage Highway Authority
- 95. Courthouse Facilities Improvement Authority
- 96. Economic Development Authority
- 97. Education, State Department of
- 98. Cedar Lakes Conference Center
- 99. Governor's Office
- 100. Hospital Finance Authority, WV
- 101. Network, WV
- 102. Public Service Commission
- 103. Real Estate Commission
- 104. School Building Authority
- 105. Secretary of State, Office of
- 106. Senior Services, Bureau of
- 107. State Auditor, Office of
- 108. State Treasurer, Office of
- 109. Supreme Court of Appeals
- 110. Water Development Authority
- 111. WV Board of Accountancy
- 112. WV Board of Acupuncture
- 113. WV Board of Architects
- 114. WV Board of Barbers and Cosmetologists
- 115. WV Board of Chiropractic
- 116. WV Board of Dental Examiners
- 117. WV Board of Examiners for Licensed Practical Nurses
- 118. WV Board of Examiners for Registered Professional Nurses
- 119. WV Board of Examiners for Speech, Language, Pathology, and Audiology
- 120. WV Board of Examiners in Counseling
- 121. WV Board of Examiners of Psychologists
- 122. WV Board of Funeral Service Examiners
- 123. WV Board of Landscape Architects
- 124. WV Board of Licensed Dietitians
- 125. WV Board of Medicine

126. WV Board of Occupational Therapy
127. WV Board of Optometry
128. WV Board of Osteopathy
129. WV Board of Pharmacy
130. WV Board of Physical Therapy
131. WV Board of Professional Surveyors
132. WV Board of Registration for Foresters
133. WV Board of Registration for Professional Engineers
134. WV Board of Respiratory Care
135. WV Board of Social Work Examiners
136. WV Board of Veterinary Medicine
137. WV Massage Therapy Licensure Board
138. WV Medical Imaging & Radiation Therapy Technology Board of Examiners
139. WV Real Estate Appraiser Licensing & Certification Board
140. WV Higher Education Policy Commission
141. Bluefield State College
142. Blue Ridge Community & Technical College
143. Bridgemont Community & Technical College
144. Concord University
145. Eastern WV Community & Technical College
146. Fairmont State University
147. Glenville State College
148. Kanawha Valley Community & Technical College
149. Marshall University
150. Mountwest Community & Technical College
151. New River Community & Technical College
152. Pierpont Community & Technical College
153. Potomac State College of WVU
154. Shepherd University
155. Southern WV Community & Technical College
156. West Liberty University
157. WV Northern Community College
158. WV School of Osteopathic Medicine
159. West Virginia State University
160. West Virginia University
161. WVU at Parkersburg
162. WVU Institute of Technology

***The State Agency failed to respond to our survey.**

^The State Agency refused to respond to our survey.

**CASH RECEIPTS STUDY
AS OF SEPTEMBER 30, 2010**

EXECUTIVE SUMMARY

Finding 1

Lack of Segregation of Duties

Our study revealed collection points of 44 State agencies, or 27.5% of survey respondents, had a lack of segregation of duties between the recordkeeping and custody function. Also, three State agencies did not answer the question for some collection points regarding whether or not the cashier had access to the accounts receivable system.

Auditor's Recommendation

We recommend State agencies segregate the authorization, recordkeeping and custody of asset functions to comply with W.Va. Code §5A-8-9 and to strengthen internal controls. Specifically, cashiers should not have access to the accounts receivable system, unless it is read only type access. If these duties cannot be segregated, we recommend the agencies ensure there is proper management oversight of the employees responsible for the collection of moneys. Such oversight should include a monthly independent management reconciliation between the agency's receipts accounting system and the amount of money deposited in the agency's account(s).

We further recommend State agencies consider utilizing State Treasurer revenue processing services, such as the lockbox system and/or the e-Government system to collect payments if segregation of duties or management oversight is not practical.

Finding 2

Lack of Receipts or Pre-Numbered Receipts

Our study revealed 42 State agencies, or 26% of survey respondents, had collection points that either did not prepare receipts to support the collection of moneys or did not use pre-numbered receipts. Also, two State agencies did not answer as to whether or not some of the collection points prepared receipts and, if so, if the receipts were pre-numbered.

Auditor's Recommendation

We recommend State agencies comply with W.Va. Code §12-2-2 and record the collection of all moneys on a daily itemized record and reconcile the total to the amount deposited. We further recommend State agencies provide a pre-numbered receipt for all currency (i.e. dollar bills and coins) received by customers and a copy should be retained by the State agency. Pre-numbered receipts can be issued from a receipt book or sequentially numbered receipts can be generated by a cash register or computer program. Other

documentation and internal controls may also be utilized to ensure compliance with W.Va. Code §5A-8-9 to maintain adequate records.

Finding 3

Lack of Official Procedures for Collections

Our study revealed 35 State agencies, or 22% of survey respondents, did not have written procedures for the revenue collection process. Also, 19 State agencies did not answer as to whether or not they had written procedures for the revenue collection process.

Auditor's Recommendation

We recommend all State agencies comply with W.Va. Code §5A-8-9 and strengthen internal controls over the revenue collection process by documenting the collection process and internal controls in a written policy or procedure.

Finding 4

Moneys Not Deposited Within 24 Hours of Receipt

Our study revealed 44 State agencies, or 28% of survey respondents, had collection points that either did not, or did not consistently deposit moneys within 24 hours of receipt as required by W.Va. Code.

Auditor's Recommendation

We recommend State agencies comply with W.Va. Code §12-2-2 and deposit moneys within 24 hours of receipt.

Finding 5

Inadequate Physical Safeguards Over Moneys

Our study revealed 18 State agencies, or 11% of survey respondents, had collection points that did not properly secure moneys held for deposit. In addition, nine State agencies, or 6% of survey respondents, had collection points that allowed ten or more employees to have access to secured moneys.

Auditor's Recommendation

We recommend State agencies comply with W.Va. Code §5A-8-9 by ensuring moneys are properly secured by storing the moneys under lock and key or another comparable method. We also recommend all State agencies limit access to secured moneys to as few employees as necessary.

Finding 6

No Reconciliation of Receipts

Two State agencies had collection points that did not have a reconciliation process to ensure all moneys received were deposited intact. Also, five State agencies did not answer as to whether or not some collection points had a reconciliation process to ensure all moneys received were deposited intact.

Auditor's Recommendation

We recommend State agencies comply with W.Va. Code §5A-8-9 and strengthen internal controls by implementing a reconciliation process to ensure all moneys received were deposited intact.

Finding 7

Failure to Cite Statutory Authority to Collect Revenues

Eight State agencies did not answer the question regarding statutory authority for revenue collections.

Auditor's Recommendation

If our survey question related to statutory authority for revenue collections was left unanswered by these agencies because no such authority exists, we recommend these agencies cease such revenue collections. If the revenue is deemed necessary, then we recommend these State agencies comply with W.Va. Code §5A-8-9 and seek statutory authority to legally collect moneys from the public.

Finding 8

Imprest Funds Not Approved by the State Treasurer's Office

Our study revealed five State agencies, or 3% of survey respondents, had imprest [cash] funds that were not approved by the State Treasurer's Office. One agency was unaware if they had any imprest funds.

Auditor's Recommendation

We recommend State agencies comply with W.Va. Code §12-2-2 and Legislative Rule §112-3-3 and submit accurate applications to the State Treasurer's Office to gain approval for the establishment, discontinuance, or changes in amounts of any imprest funds. The imprest fund authorization form and supplemental guidance are available on the Treasurer's website.

We further recommend the State Treasurer's Office propose a wording change to Legislative Rule §112-3-2 Definitions in order to clearly define "imprest fund" for the intent of the rule. The proposed wording should include specific examples of cash funds that would or would not meet the definition of an imprest fund. Such changes in wording should mitigate the chance of agencies not correctly adhering to the rule, as well as, decrease the inconsistency between various State agencies in their respective interpretation of the rule. As of September 30, 2011, the State Treasurer's Office is working on clarification to this Legislative Rule.

In addition, we recommend the use of petty cash be discontinued and State agencies obtain a purchasing card from the Auditor's Office for small office or incidental expenses.

Informational Item 1 Multiple Collection Points

Our study revealed 30 agencies, or 19% of survey respondents, had more than five collection points.

Auditor's Recommendation

We recommend State agencies with more than five collection points consider the feasibility of centralizing some collections in order to reduce the risk that moneys may be lost or stolen.

**CASH RECEIPTS STUDY
AS OF SEPTEMBER 30, 2010**

INTRODUCTION

POST AUDIT AUTHORITY

This is the special report on the cash receipts policies and procedures of West Virginia State agencies. The study was conducted pursuant to Chapter 4, Article 2 of the West Virginia Code, as amended, which requires the Legislative Auditor to “make post audits of the revenues and expenditures of the spending units of the state government, at least once every two years, if practicable, to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit, to ascertain facts and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the state and of the organization and functions of the state and its spending units.”

REPORT SCOPE

We have prepared a special report based on the results of a survey sent to a majority of State agencies on cash receipts policies and procedures. We did not perform any additional audit procedures to ensure the responses were accurate; we solely relied on the responses provided by each agency for the basis of our report. The scope of this survey was further limited by each agency’s understanding of the survey questions and by the completeness of the survey forms submitted.

OBJECTIVE AND METHODOLOGIES

The objectives of our special report were to determine State agencies policies and procedures on the cash receipt process, to report any non-compliance with W.Va. State Code, to ascertain facts, and to make recommendations to the Legislature concerning post audit findings, the revenues of the state and of the organization, and functions of the state and its spending units.

In order to achieve the objectives noted above, we reviewed applicable sections of the West Virginia Code, Legislative Rules, as well as other rules and regulations, policies and procedures as they related to the cash receipt process (i.e., collection of moneys). We sent State agencies a survey to complete on their respective cash receipt process and to submit back to us. Also, we followed-up on any questions, on an as needed basis, via e-mail or telephone interviews.

The agencies responses to the reportable compliance and other matters identified in our special report have not been subjected to auditing procedures and accordingly, we express no opinion on them. Since some agencies include multiple sub-agencies, any responses that resulted in a finding were included in the chart(s) under the main State agency.

Each agency’s management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of

assets, and compliance with applicable laws, rules, and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

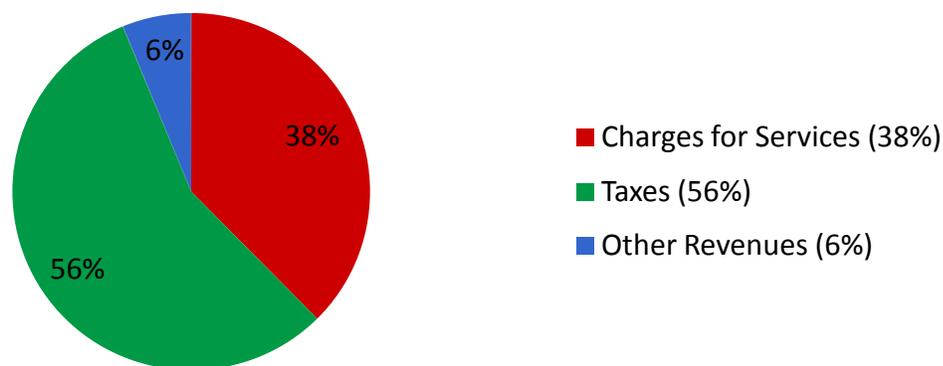
Our reports are designed to assist the Post Audit Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report is intended solely for the information and use of the Post Audit Subcommittee, the members of the WV Legislature, management of the spending unit and others within the spending unit. However, once released by the Post Audit Subcommittee, this report is a matter of public record and its distribution is not limited.

CONCLUSIONS

According to the Fiscal Year 2010 Comprehensive Annual Financial Report (CAFR) prepared by the Division of Finance and audited by independent auditors, revenues for the State for services and taxes totaled \$7,987,847,000, of which \$3,002,368,000 was for services, \$4,486,977,000 was for taxes, and \$498,502,000 was for Other Revenue. Amounts for operating grants and contributions, capital grants and contributions, and money received from the Federal government were not included in the above stated dollar amount.

2010 Sources of Revenue



Thus, we believe with the amount of revenues coming into the state (approximately eight billion dollars), immediate action is necessary to protect the financial interests of the State. W.Va. Code §5A-2-33(5) gives the Department of Administration (DOA) the power and responsibility to direct the establishment and maintenance of an adequate internal control structure by the various component units of state government. Thus, we believe the DOA is responsible for providing state agencies with some type of guidance over internal controls and already has the statutory authority to do so.

Currently, the DOA has a Financial Integrity and State Manager's Accountability Act in draft form that focuses on internal controls. However, guidance over adequate internal controls does not necessarily need to be in the form of a statutory addition, bill, or rule and can be an Administrative Bulletin, policy, or memorandum issued by the DOA as long as it is administered consistently throughout the State and all State agencies are notified of its existence. We recommend these guidelines be issued and implemented immediately. Failure to do so dramatically increases the risk of theft or fraud in the State.

In addition, upon receipt of the initial draft report, the State Treasurer's Office (STO) acknowledged the significance of the cash handling weaknesses mentioned in the report and took the initiative to draft a Cash Receipt Handbook to provide guidance to State agencies over the best practices of handling cash and cash equivalents. The anticipated effective date is November 1, 2011. Also, the STO anticipates providing training to State agencies in the future.

This report includes findings regarding conditions that could adversely affect an agency's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, or regulations.

Numerous agencies skipped survey questions or failed to give sufficient details explaining their survey responses. Therefore, in the future, we recommend State agencies contact the division with any questions regarding the meaning of terms and complete the survey forms in their entirety when requested to do so by the Legislative Post Audit Division.

We noted many agencies did not have official authorized cash receipts policies and procedures in place for their employees to follow. We believe this resulted in many internal control weaknesses that are noted in the report, including untimely deposit of moneys; lack of segregation of duties between the cashier and accounts receivable function; lack of pre-numbered receipts; and no reconciliation process to ensure all moneys received were indeed deposited. The lack of internal controls increases the risk of loss or theft to occur and go unnoticed by management.

EXIT CONFERENCE

We mailed drafts of the report to the State agencies included in the reportable compliance and other matters section of the report on May 4, 2011. We informed the agencies to contact us if they would like to discuss the results of the special report. All agencies listed on pages two through five were given the opportunity to respond to the findings. Not all agencies chose to provide a response to the report. For the agencies that did respond, the responses have been included in Appendix A at the end of the report.

**CASH RECEIPTS STUDY
AS OF SEPTEMBER 30, 2010**

REPORTABLE COMPLIANCE AND OTHER MATTERS

Finding 1 Lack of Segregation of Duties

Condition: Overall, State employee’s collecting moneys had incompatible job duties relating to essential accounting functions. There were many instances where single employees were simultaneously responsible for two or more of the following:

- Documenting Moneys Received
- Safeguarding Stored Moneys
- Recording Payments in an Accounts Receivable System
- Making Deposits to the Bank
- Posting Deposit Information into FIMS
- Performing Reconciliations

Specifically, our study revealed collection points of 44 State agencies, or 27.5% of survey respondents, had a lack of segregation of duties between the record keeping and custody function. These agencies stated the cashier(s) had access ¹ to the accounts receivable system. These agencies and the respective number of collection points ² are detailed below.

<u>Agency</u>	<u>No. of Collection Points</u>
Attorney General’s Office	3
Bureau for Behavioral Health and Health Facilities	7
Blue Ridge Community & Technical College	1
Bluefield State College	7
Bridgemont Community & Technical	1
Concord University	2
Division of Corrections	2
Courthouse Facilities Improvement Authority	1
Division of Culture and History	7
Eastern WV Community & Technical	1
WV State Department of Education	4
Finance Division	2
Geological and Economic Survey	1
Glennville State College	2

¹ The survey question did not define “access” as the ability to revise or delete existing data within the accounts receivable system. Therefore, it is possible that agencies misunderstood the intent of the question, and as result some agencies could be cited which only have inquiry/read only access or data entry capability.

² For the entirety of this report, a collection point is an individual location that accepts moneys due the state, either through the mail or in person.

<u>Agency</u>	<u>No. of Collection Points</u>
Library Commission	1
Division of Homeland Security and Emergency Management	1
Marshall University	26
Office of Miners' Health, Safety and Training	5
Bureau for Public Health	6
Mountwest Community & Technical College	5
Division of Natural Resources	9
WV Network	1
New River Community & Technical College	4
Office of Abandoned Mine Lands	2
Office of Administration – A/R	1
Division of Air Quality	1
Office of Environmental Enforcement	1
Office of Explosives & Blasting	1
Division of Land Restoration	1
Division of Mining and Reclamation	3
Office of Oil and Gas	1
Public Information Office	1
Office of Special Reclamation	1
Division of Water and Waste Management	1
Division of Veterans Affairs	1
West Liberty University	8
West Virginia State University	8
West Virginia University	50
WV Board of Examiners for Registered Professional Nurses	1
WV Board of Veterinary Medicine	1
WV Board of Medicine	6
WV Northern Community College	5
WV School of Osteopathic Medicine	3
WVU at Parkersburg	1
44 State Agencies	197 Collection Points

Also, three State agencies did not answer the question for some collection points regarding whether or not the cashier had access to the accounts receivable system. These agencies and the respective number of collection points are detailed below.

<u>Agency</u>	<u>No. of Collection Points</u>
Concord University	2
Division of Natural Resources	3
State Rail Authority	1
3 State Agencies	6 Collection Points

Criteria: Management is responsible for establishing and maintaining effective internal controls. A fundamental concept of internal control is adequate segregation of incompatible duties. For adequate segregation of duties, management should ensure responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different employees.

W.Va. Code §5A-8-9, 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...”

Cause: Some agencies stated there was a lack of segregation of duties between the cashier and accounts receivable function because of a lack of staff, or because the cashier was on sick or annual leave.

Effect: Segregation of duties is one of the key concepts of internal control. The lack of segregation of the recordkeeping and custody functions without the presence of some other proper offsetting strength substantially increases the risk that fraud may occur and not be detected by agency controls. Fraud could be perpetrated by an employee who collects and records the receipt of moneys in the agency's accounts receivable or other record-keeping system, but does not deposit the moneys in the agency's account.

Recommendation: We recommend State agencies segregate the authorization, recordkeeping and custody of asset functions to comply with W.Va. Code §5A-8-9 and to strengthen internal controls. Specifically, cashiers should not have access to the accounts receivable system, unless it is read only type access. If these duties cannot be segregated, we recommend the agencies ensure there is proper management oversight of the employees responsible for the collection of moneys. Such oversight should include a monthly independent management reconciliation between the agency's receipts accounting system and the amount of money deposited in the agency's account(s).

We further recommend State agencies consider utilizing State Treasurer revenue processing services, such as the lockbox system³ and/or the e-Government system⁴ to collect payments if segregation of duties or management oversight is not practical.

³ A manual system where customers mail payments directly to a post office box (i.e. lockbox). State Treasurer employees empty lockboxes daily, take payments to their Centralized Receipts Processing Center (CRPC) and deposit amounts to WVFIMS and the agency's account.

⁴ An electronic system where customers submit payments online (i.e. credit card and electronic funds transfer) for goods and services offered by the state agencies.

Finding 2**Lack of Receipts or Pre-Numbered Receipts****Condition:**

Our study revealed 42 State agencies, or 26% of survey respondents, had collection points that either did not prepare receipts to support the collection of moneys or did not use pre-numbered receipts.⁵ These agencies and the respective collection points are detailed below.

<u>Agency</u>	<u>No. of Collection Points</u>
Racing Commission	4
Athletic Commission	5
Office of Tax Appeals	1
Concord University	1
Division of Corrections	4
Courthouse Facilities Improvement Authority	1
Division of Highways	36
WV Educational Broadcasting	4
Division of Forestry	10
General Services Division*	3
Geological and Economic Survey	1
Glenville State College	16
Division of Homeland Security and Emergency Management	1
Division of Labor	1
Library Commission	1
Division of Natural Resources	30
Division of Personnel	1
Center for Professional Development	3
Real Estate Commission	1
Division of Rehabilitation Services	3
Shepherd University	5
Solid Waste Management Board*	1
State Auditor's Office	2
State Rail Authority	1
Office of Technology	1
West Virginia University	63
WV Women's Commission	1
WV Board of Dental Examiners	1
WV Board of Examiners in Counseling	1
WV Board of Examiners for Registered Professional Nurses	1
WV Board of Examiners of Psychologists	1
WV Board of Occupational Therapy	1
WV Board of Medicine	6

⁵ This finding includes a few agencies that have other lack of documentation issues other than failing to provide receipts for cash payments, such as: (1) an agency that indicated the use of invoices for billing, but failed to state whether those invoices were pre-numbered or traceable by other means; and (2) agencies that stated only checks were accepted as payment, but the agencies failed to keep a daily itemized log of those checks.

<u>Agency</u>	<u>No. of Collection Points</u>
WV Board of Registration for Foresters	1
WV Board of Registration for Professional Engineers	2
WV Board of Social Work Examiners	1
WV Board of Veterinary Medicine	1
WV Higher Education Policy Commission	1
WV Massage Therapy Licensure Board	1
WV Real Estate Appraiser Licensing & Certification Board*	1
Division of Public Transit	1
WVU at Parkersburg ^{*(1)}	3
42 State Agencies	224 Collection Points

*These agencies have complied with the criteria after the date of the survey.

*(1) Of the agency's three collection points, one has complied with the criteria after the date of the survey.

Also, two State agencies did not answer as to whether or not some of the collection points prepared receipts and, if so, if the receipts were pre-numbered. These agencies and the respective collection points are detailed below.

<u>Agency</u>	<u>No. of Collection Points</u>
Concord University	5
West Virginia University	12
2 State Agencies	17 Collection Points

Criteria:

Management is responsible for establishing and maintaining effective internal controls.

W.Va. Code §12-2-2, as amended, states in part:

“(a) All officials and employees of the State authorized by statute to accept moneys due the State of West Virginia **shall keep a daily itemized record of moneys received** for deposit in the State Treasury...” (Emphasis Added)

W.Va. Code §5A-8-9, 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...” (Emphasis Added)

Cause:

Some agencies stated the customer's cancelled check served as their receipt and/or they received very few cash payments.

Effect: The risk of theft or loss of moneys is greatly increased due to the lack of receipts in entirety or the lack of pre-numbered receipts. An employee could have accepted payment, not wrote a receipt at all or destroyed the receipt [that was not pre-numbered] and kept the moneys for personal gain. Without the internal control of using pre-numbered receipts, the theft or loss of moneys could have occurred and gone unnoticed by management. Inadequate internal controls over assets increase the susceptibility of misappropriation of assets.

Recommendation: We recommend State agencies comply with W.Va. Code §12-2-2 and record the collection of all moneys on a daily itemized record.⁶ We further recommend State agencies provide a pre-numbered receipt for all currency (i.e. dollar bills and coins) received by customers and a copy should be retained by the State agency. Pre-numbered receipts can be issued from a receipt book or sequentially numbered receipts can be generated by a cash register or computer program.

The itemized record/pre-numbered receipts should then be totaled and reconciled to the amount of moneys deposited to ensure all moneys collected were deposited intact. Any difference in the total of the itemized record/pre-numbered receipts and the amounts of moneys deposited should be reported and properly investigated by management. Also, any missing pre-numbered receipts should be reported and properly investigated by management.

Other documentation and internal controls may also be utilized to comply with W.Va. Code §5A-8-9 and §12-2-2. Such items may include, but are not limited to the following:

- Utilizing a mail log and date stamp to document collections received through the mail.
- Immediately endorsing checks upon collection by use of a “For Deposit Only” stamp.
- Utilizing a standardized cash count sheet.

⁶ A daily itemized record should contain the following information: date received, check number or cash receipt number, amount, purpose, and possibly remitter.

Finding 3

Lack of Official Procedures for Collections

Condition:

Our study revealed 35 State agencies, or 22% of survey respondents, did not have written procedures for the revenue collection process. These agencies and the respective number of collection points are detailed below.

<u>Agency</u>	<u>No. of Collection Points</u>
General Services Division	3
Purchasing Division^	4
Office of Tax Appeals	1
Athletic Commission*	5
Division of Justice and Community Services^	1
Office of Miner’s Health, Safety and Training	5
Supreme Court of Appeals	3
Division of Veterans Affairs	1
WV Board of Dental Examiners	1
WV Board of Examiners of Psychologists*	1
WV Board of Landscape Architects*	1
WV Board of Licensed Dietitians	2
WV Board of Medicine	6
WV Board of Pharmacy	1
WV Board of Physical Therapy^	1
WV Board of Veterinary Medicine	1
Office of Abandoned Mine Lands~	2
Office of Administration -A/R~	1
Division of Air Quality~	1
Office of Environmental Enforcement~	1
Office of Explosives & Blasting~	1
Division of Land Restoration~	1
Division of Mining and Reclamation~	3
Office of Oil and Gas~	1
Public Information Office~	1
Office of Special Reclamation~	1
Division of Water and Waste Management~	1
Division of Natural Resources~	7
Bureau for Public Health~	2
Commission for the Deaf and Hard-of-Hearing	1
WV Health Care Authority~	2
WV Women’s Commission	1
West Virginia State University^	8
Kanawha Valley Community & Technical College*	2
WV Higher Education Policy Commission*	1
35 State Agencies	75 Collection Points

*These agencies wrote a summary of their collection process on the survey; however, they did not provide us with a copy of their official policies or procedures.

^These agencies created and implemented collection procedures after the date of the survey.

~These agencies noted they were in the process of writing procedures at the time of our survey (September 2010), but they failed to prove they had revenue handling procedures in place after their review of the report in May 2011.

Also, 19 State agencies did not answer as to whether or not they had written procedures for the revenue collection process. These agencies and the respective number of collection points are detailed below.

<u>Agency</u>	<u>No. of Collection Points</u>
State Budget Office	1
State Tax Department	2
Adjutant General's Office	28
Attorney General's Office	3
Division of Corrections	3
Courthouse Facilities Improvement Authority	1
WV Development Office	2
State Fire Commission	4
Division of Homeland Security and Emergency Management	1
Bureau for Behavioral Health and Health Facilities	1
Office of the Inspector General (DHHR)	1
Division of Labor	1
Division of Natural Resources	26
Board of Parole	1
Bureau for Public Health	7
Public Service Commission	2
Bureau of Senior Services	1
WV Board of Occupational Therapy	1
WV Real Estate Appraiser Licensing & Certification Board ^	1
19 State Agencies	87 Collection Points

^These agencies created and implemented collection procedures after the date of the survey.

Criteria: Management is responsible for establishing and maintaining effective internal controls.

W.Va. Code §5A-8-9, states in part:

“The head of each agency shall:

(a) **Establish and maintain an active, continuing program for the economical and efficient management of the records of the agency.**

(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...”**(Emphasis Added)**

Cause: Some agencies stated it was an oversight that collection procedures were not in written form, but they have had long standing verbal procedures.

Effect: Defining and documenting processes with well-written procedures is important to ensure; (1) compliance with laws and regulations; (2) processes fundamental

to an agency's success are properly guided by management; and (3) internal controls are in place and properly implemented in order to effectively manage risk. Also, without having an agency-wide policy or procedure for documenting and collecting revenues, there may not be consistency between departments or divisions for the collection and depositing of moneys.

Recommendation: We recommend all State agencies comply with W.Va. Code §5A-8-9 and strengthen internal controls over the revenue collection process by documenting the collection process and internal controls in a written policy or procedure.

Finding 4**Moneys Not Deposited Within 24 Hours of Receipt****Condition:**

Our study revealed 44 State agencies, or 28% of survey respondents, had collection points that either did not, or did not consistently, deposit moneys within 24 hours of receipt as required by W.Va. Code.⁷ For those deposits made in excess of 24 hours after receipt, the amount of time that elapsed between collection and deposit ranged from a minimum of three days to a maximum of a couple of months. These agencies and the respective collection points⁸ are detailed below.

<u>Agency</u>	<u>No. of Collection Points</u>
Athletic Commission	5
Tax Department	13
Department of Agriculture	8
Bureau for Behavioral Health and Health Facilities	2
Blue Ridge Community & Technical College	1
Bridgmont Community & Technical College	1
Coal Heritage Highway Authority	1
Concord University	5
Division of Corrections	6
Division of Highways	24
WV Educational Broadcasting	4
Ethics Commission	1
State Fire Commission	4
General Services Division	3
Glenville State College	26
Division of Juvenile Services	11
Division of Natural Resources	18
WV Network	1
Division of Personnel	1
Real Estate Commission	1
State Auditor's Office	1
WV State Police*	78
State Rail Authority	1
Supreme Court of Appeals	3
Division of Veterans Affairs	1
West Virginia State University	6
West Virginia University	61

⁷ Several WV State Parks take up to one week to deposit moneys. This is allowable per W.Va. Code §20-5-2(b)(9), which, as amended, states in part, “...(b) The Director of the Division of Natural Resources shall: ...(9) Exempt designated state parks from the requirement that all payments must be deposited in a bank within twenty-four hours for amounts less than five hundred dollars...Provided, That such designated parks shall make a deposit in any amount no less than every seven working days;...”.

⁸ Lockboxes were not counted as collection points, since agency employees do not handle those moneys. (See footnote 3 under Finding 1 for description of lockbox usage.)

<u>Agency</u>	<u>No. of Collection Points</u>
WV Board of Chiropractic Examiners	1
WV Board of Dental Examiners	1
WV Board of Examiners for Speech, Language, Pathology, and Audiology	1
WV Board of Examiners in Counseling	1
WV Board of Examiners of Psychologists	1
WV Board of Landscape Architects	1
WV Board of Licensed Dietitians	2
WV Board of Occupational Therapy	1
WV Board of Medicine	6
WV Board of Osteopathy	1
WV Board of Pharmacy	1
WV Board of Registration for Foresters	1
WV Board of Social Work Examiners	1
WV Board of Veterinary Medicine	1
WV Higher Education Policy Commission	1
WV Medical Imaging & Radiation Therapy Technology Board of Examiners	1
WVU Institute of Technology	1
44 State Agencies	310 Collection Points

**Only applies to one-trip permits and fingerprinting fees.*

Criteria:

W.Va. Code §12-2-2, as amended, states in part:

“(a) All officials and employees of the State authorized by statute to accept moneys due the State of West Virginia ... **shall deposit within twenty-four hours with the State Treasurer all moneys received or collected by them for or on behalf of the state** for any purpose whatsoever...” (Emphasis Added)

Cause:

Some agencies noted the inconvenience of making daily trips to a bank or the State Treasurer’s Office when moneys collected were infrequent in nature and of small amounts.

Effect:

The risk of moneys being damaged, destroyed, lost, or stolen is increased when moneys are not promptly deposited. In addition, the lack of daily deposits results in lost interest earnings for the State.

Recommendation:

We recommend State agencies comply with W.Va. Code §12-2-2 and deposit moneys within 24 hours of receipt.

Finding 5

Inadequate Physical Safeguards Over Moneys

Condition:

Our study revealed 18 State agencies, or 11% of survey respondents, had collection points that did not properly secure moneys held for deposit. These agencies did not secure moneys in a locked drawer, cash register, safe, or by another comparable method; rather, the moneys were kept in an unlocked drawer or file cabinet. These agencies and the respective collection points are detailed below.

Agency	No. of Collection Points
Glenville State College	1
WV Human Rights Commission*	1
Office of the Inspector General (DHHR)*	1
Office of Miners' Health, Safety and Training	5
Division of Natural Resources*(1)	2
Bureau for Public Health	1
Shepherd University* (2) ^ (1)	3
Supreme Court of Appeals	3
West Virginia State University^	2
WV Board of Dental Examiners	1
WV Board of Examiners of Psychologists	1
WV Board of Landscape Architects	1
WV Board of Physical Therapy*	1
WV Board of Veterinary Medicine	1
West Virginia University	2
Division of Corrections~	3
Division of Mining and Reclamation*	1
WV Network~	1
18 State Agencies	31 Collection Points

*These agencies now keep moneys securely stored.

*(1) The agency now keeps moneys securely stored at one of the two collection points.

*(2)^ (1) Of the agency's three collection points, two now keep money securely stored and one no longer exists.

^The collections points in this finding no longer exist.

~The agency does not consistently store all moneys throughout the day.

In addition, nine State agencies, or 6% of survey respondents, had collection points that allowed ten or more employees to have access to secured moneys. These agencies and the respective collection points are detailed below.

Agency	No. of Collection Points
Bureau for Behavioral Health and Health Facilities	2
Fairmont State University and Pierpont Community & Technical College*	1
Office of the Inspector General (DHHR)^	1
Shepherd University	1
State Auditor's Office	1
West Virginia State Police~	78
West Virginia University	11

<u>Agency</u>	<u>No. of Collection Points</u>
WV Board of Examiners for Registered Professional Nurses	1
9 State Agencies	96 Collection Points

**Fairmont State College and Pierpont Community and Technical College are two separate agencies that share collection points.*

^These agencies no longer allow 10 or more employees to have access to stored moneys. ~2 to 15 employees, depending upon number of officers assigned to a particular attachment.

Criteria: Management is responsible for establishing and maintaining effective internal controls. A fundamental concept of internal control is adequate physical safeguards over cash.

W.Va. Code §5A-8-9, 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...”

Cause: Some agencies did not realize the drawer where moneys were kept was unlocked until after completing our survey. In addition, some agencies told us they had collection points that allowed ten or more employees to have access to stored moneys because of the large number of offices, shift changes, and extended hours of operation.

Effect: The risk of theft and or loss of moneys is greatly increased when moneys are not properly secured and the access to moneys is not limited.

Recommendation: We recommend State agencies comply with W.Va. Code §5A-8-9 by ensuring moneys are properly secured by storing moneys under lock and key or another comparable method. We also recommend all State agencies limit access to secured moneys to as few employees as necessary.

Finding 6**No Reconciliation of Receipts****Condition:**

Two State agencies had collection points that did not have a reconciliation process to ensure all moneys received were deposited intact. These agencies and the respective number of collection points are detailed below.

<u>Agency</u>	<u>No. of Collection Points</u>
Division of Natural Resources	1
West Virginia University	2
2 State Agency	3 Collection Points

Note: Credit for performing a reconciliation was given to all agencies which answered the reconciliation question on our survey. However, we performed no testing to verify agency assertions that accounting records of collections were reconciled to moneys deposited; consequently, we provide no assurance that the reported number of agencies not performing reconciliations is accurate. As Finding 3 suggests, there is a general lack of adequate record keeping at State agencies over the receipt of moneys. This lack of record keeping by agencies seems to indicate a significant number of agencies were incorrect when they responded on our survey and, as a result, the number of agencies reported as not performing reconciliations is likely understated.

Also, five State agencies did not answer as to whether or not some collection points had a reconciliation process to ensure all moneys received were deposited intact. These agencies and the respective number of collection points are detailed below.

<u>Agency</u>	<u>No. of Collection Points</u>
State Budget Office	1
State Tax Department	2
Division of Corrections	2
Division of Highways	1
WV Development Office	2
5 State Agencies	8 Collection Points

Criteria:

Management is responsible for establishing and maintaining effective internal controls. A fundamental concept of internal control is adequate physical safeguards over cash.

W.Va. Code §5A-8-9, 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...”

Cause: Some agencies stated they did not perform reconciliations because they did not have adequate staffing, or they only received a small amount of checks or cash and mostly received credit card payments.

Effect: The risk of theft and or loss of moneys is increased due to a lack of reconciliation process to ensure all moneys received were deposited intact. Moneys may be missing and go unnoticed by management.

Recommendation: We recommend State agencies comply with W.Va. Code §5A-8-9 and strengthen internal controls by implementing a reconciliation process to ensure all moneys received were deposited intact.

Finding 7

Failure to Cite Statutory Authority to Collect Revenues

Condition:

Eight State agencies did not answer the question regarding statutory authority for revenue collections. These agencies and the respective number of collection points are detailed below.

<u>Agency</u>	<u>No. of Collection Points</u>
State Tax Department	1
Courthouse Facilities Improvement Authority	1
Eastern WV Community & Technical College	1
WV Educational Broadcasting	4
Library Commission	1
Division of Tourism	2
Supreme Court of Appeals	3
General Services Division	3
8 State Agencies	16 Collection Points

Note: Credit for having statutory authority for revenue collections was given to all agencies which answered the W.Va. Code question (Part II, #2) on our survey. However, we did not verify agency assertions that collections were allowable per code; consequently, we provide no assurance that non-cited agencies have appropriate authority for all collections.

Criteria:

W.Va. Code §5A-8-9, 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...”

Cause:

We are unsure why these eight agencies failed to cite W.Va. Code or other statutory authority granting them the right to collect revenues.

Effect:

The possibility exists that the aforementioned State agencies could be collecting revenues they have no authority to collect.

Recommendation:

If our survey question related to statutory authority for revenue collections was left unanswered by these agencies because no such authority exists, we recommend these agencies cease such revenue collections. If the revenue is deemed necessary, then we recommend these State agencies comply with W.Va. Code §5A-8-9 and seek statutory authority to legally collect moneys from the public.

Finding 8

Imprest Funds Not Approved by the State Treasurer’s Office

Condition:

Our study revealed five State agencies or 3% of survey respondents had imprest [cash] funds that were not approved by the State Treasurer’s Office. These agencies and the respective number of collection points are detailed below.

<u>Agency</u>	<u>No. of Imprest Funds Not Registered</u>
Center for Professional Development*	1
Coal Heritage Highway Authority*	1
Division of Natural Resources (Wildlife Resources Section, District 2)	1
State Auditor’s Office*	1
West Virginia State University*	4
5 State Agencies	8 Imprest Funds

**The agency obtained approval for the imprest fund(s) from the STO after the date of our survey.*

An additional sub-division of the DNR (Law Enforcement Section, District 3) was unaware if they had any imprest funds.

Criteria:

W.Va. Code §12-2-2, as amended, states in part:

“... (d) The State Treasurer may establish an imprest fund or funds in the office of any state spending unit upon receipt of a proper application. ...**The State Treasurer or his or her designee shall annually audit all imprest funds...**” (Emphasis Added)

Legislative Rule §112-3-2, as amended, states in part:

“2.2. "Imprest Fund" means a cash change fund in a fixed amount maintained at an agency. The fund may be used for the purpose of providing automated teller machine (ATM) services at any agency or for cashing checks for students at state colleges and universities in West Virginia; and” (Emphasis Added)

Legislative Rule §112-3-3, as amended, states in part:

“3.1. Any state agency that desires an imprest fund shall apply to the Treasurer for the establishment of the imprest fund. The application shall be made on forms prescribed by the Treasurer’s office. The agency shall include on the forms the name of the state agency, the name and purpose of the imprest fund, the desired balance of the imprest fund, the physical location of the imprest fund and the name of the person responsible for the imprest fund. The Treasurer shall determine whether the application is complete and whether the need for the imprest fund is valid and notify the agency of his or her decision.” (Emphasis Added)

Cause:

Some agencies explained their imprest funds had been in use for many years and it was an oversight that the funds had not been authorized. Also, some agency employees were unaware that all State moneys held and stored

specifically for the use of change for the public must be registered with the State Treasurer's Office.

Effect:

It is the responsibility of each State agency to obtain the proper authorization for any imprest funds. Since the aforementioned agencies did not follow the proper procedure for authorization, the State Treasurer's Office did not have the opportunity to annually audit these imprest funds in accordance with the W.Va. Code. As a result, there is a greater opportunity for theft of moneys when they are not being accounted for and reviewed by an independent party.

Recommendation:

We recommend State agencies comply with W.Va. Code §12-2-2 and Legislative Rule §112-3-3 and submit accurate applications to the State Treasurer's Office to gain approval for the establishment, discontinuance, or changes in amounts of any imprest funds. The imprest fund authorization form and supplemental guidance are available on the Treasurer's website.

We further recommend the State Treasurer's Office propose a wording change to Legislative Rule §112-3-2 Definitions in order to clearly define "imprest fund" for the intent of the rule. The proposed wording should include specific examples of cash funds that would or would not meet the definition of an imprest fund. Such changes in wording should mitigate the chance of agencies not correctly adhering to the rule, as well as, decrease the inconsistency between various State agencies in their respective interpretation of the rule. As of September 30, 2011, the State Treasurer's Office is working on clarification to this Legislative Rule.

In addition, we recommend petty cash used for purchases be discontinued and State agencies obtain a purchasing card from the Auditor's Office for small office or incidental expenses.

Informational Item 1 Multiple Collection Points

Condition: Our study revealed 30 agencies, or 19% of survey respondents, had more than five collection points.⁹ These agencies and the respective number of collection points are detailed below.

<u>Agency</u>	<u>No. of Collection Points</u>
West Virginia University	228
Division of Natural Resources	182
West Virginia State Police	78
Division of Highways	74
Bureau for Children and Families	55
Bureau for Child Support Enforcement	54
Regional Jail & Correctional Facility	41
Glenville State College	33
Adjutant General's Office	28
Fairmont State University and Pierpont Community & Technical College*	28
Division of Motor Vehicles	27
Marshall University	26
Division of Corrections	23
Shepherd University	20
Bureau for Behavioral Health and Health Facilities	17
Concord University	17
Tax Department	16
Division of Juvenile Services	11
Southern WV Community & Technical College	11
Division of Forestry	10
Bureau for Public Health	10
Department of Agriculture	8
West Liberty University	8
West Virginia State University	8
Division of Culture and History	7
State Department of Education	7
Bluefield State College	7
WV Board of Medicine	6
Offices of the Insurance Commissioner	6
30 State Agencies	1046 Collection Points

**Fairmont State College and Pierpont Community and Technical College are two separate agencies that share collection points.*

Cause: Some agencies stated they have various offices and collection points for the convenience of the public. Some agencies told us they have an office in every county that collect moneys. Also, a few colleges and universities stated they have various collection points to benefit the students.

⁹ Collection point totals include sub-divisions of the agencies, which may be located in multiple areas of the State, and therefore, are physically separate from the parent agency.

Effect: Multiple collection points increase the risk of theft or fraud occurring and going unnoticed by management, as well as, make the audit trail more difficult to follow. Also, there may be a lack of consistency between collection points for the internal controls over collection and depositing of moneys.

Recommendation: We recommend State agencies with more than five collection points consider the feasibility of centralizing some collections in order to reduce the risk that moneys may be lost or stolen.

**CASH RECEIPTS STUDY
AS OF SEPTEMBER 30, 2010**

**APPENDIX A
AGENCY RESPONSES TO FINDINGS**

NOTE: AGENCY RESPONSES HAVE NOT BEEN ALTERED AND WERE INCLUDED EXACTLY AS THEY WERE RECEIVED.

Finding names and numbers from the initial draft provided to the State agencies were rearranged to be in order of most significant to least significant for the final report. The following table references those changes. For example, to identify if an agency responded to Finding 1, they would have referred to it in their response as Finding 4 Lack of Segregation of Duties or just as Lack of Segregation of Duties.

<u>Final Report Numbering</u>		<u>Initial Draft Numbering</u>
Finding 1	Lack of Segregation of Duties	Finding 4
Finding 2	Lack of Receipts or Pre-Numbered Receipts	Finding 3
Finding 3	Lack of Official Procedures for Collections	Finding 8
Finding 4	Moneys Not Deposited Within 24 Hours of Receipt	Finding 1
Finding 5	Inadequate Physical Safeguards Over Moneys	Finding 2
Finding 6	No Reconciliation of Receipts	Finding 7
Finding 7	Failure to Cite Statutory Authority to Collect Revenues*	Finding 6
Finding 8	Imprest Funds Not Approved by the State Treasurer's Office	Finding 5
Informational Item 1	Multiple Collection Points*	Finding 9

*The initial draft listed Finding 6 as WV Code May Not Give Authority to Collect Revenues and Finding 9 as Excessive Collection Points.

**CASH RECEIPTS STUDY
AS OF SEPTEMBER 30, 2010**

**APPENDIX A
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**Fairmont State University's response was received after the changes to the finding numbers. Thus, the finding numbers included in their response correspond correctly with those in the final report.



West Virginia Air Quality Board

601 57th Street, S.E.
Charleston, West Virginia 25304

Phone: (304) 926-0445
Fax: (304) 926-0486
www.wvaqb.org

May 18, 2011

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E
Charleston, West Virginia 25305

Dear Ms. Sneed:

On behalf of the Air Quality Board, I would like to take this opportunity to thank you and your staff for conducting the Cash Receipts Study.

We have received the preliminary draft of the special report of cash receipts policies and procedures of all State agencies which includes the discovery of one finding from the information submitted by the Air Quality Board. To correct the finding, the Board has adopted your recommendation to provide pre-numbered receipts to support the collection of moneys. The Board's written procedures have been updated to comply with W.Va. Code.

If you have any further questions, please do not hesitate to contact me at (304) 926-0445.

Sincerely,

A handwritten signature in cursive script that reads "J. Michael Koon".

J. Michael Koon
Chairman



west virginia department of environmental protection

Office of Administration
601 57th Street, S.E.
Charleston, WV 25304
Phone: 304-926-0480
Fax: 304-926-0483

Earl Ray Tomblin, Governor
Randy C. Huffman, Cabinet Secretary
www.dep.wv.gov

May 16, 2011

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610

Dear Ms. Sneed:

Please find the Department of Environmental Protection's response to the special report on the Cash Receipts Study as of September 30, 2010.

Should you need additional information or have any questions regarding our responses, please let me know.

Sincerely,

A handwritten signature in blue ink that reads "Jean Sheppard".

Jean Sheppard
Controller

Attachment

Promoting a healthy environment.

West Virginia Department of Environmental Protection

Response to Findings on Cash Receipts Study as of September 30, 2010

Finding 1 –Moneys Not Deposited within 24 Hours of Receipt

DEP Response: Did not apply to DEP.

Finding 2 –Inadequate Physical Safeguards Over Moneys

DEP Response: The agency has addressed this with our field offices and money held for deposit is now locked for security until it can be deposited.

Finding 3 –Lack of Receipts or Pre-Numbered Receipts

DEP Response: The Air Quality Board and the Environmental Quality Board collect a very minimal amount of money each year, most of it related to FOIA requests. The Solid Waste Management Board collects money at our Charleston Office for FOIA requests and loan payments. They have all updated their procedures to comply with those recommended in the preliminary draft of the special report of cash receipts.

Finding 4 –Lack of Segregation of Duties between the Cashier and Accounts Receivable Function

DEP Response: DEP does have procedures in place where deposits are received and logged by the program divisions and the checks are then brought to the Accounts Receivable (AR) section of fiscal services for entry into WVFIMS and actual deposit of the funds. A few of the offices enter their own deposits in WVFIMS and bring them to AR to log them and send them to the State Treasurer's Office. In field offices, the local office writes up the deposit and takes it to the local bank. They send the detail of the deposit to the AR section in Charleston for entry into WVFIMS. Also, some programs have payments come direct to a lock box and the AR section enters the information into WVFIMS. In all circumstances, at least two sections of DEP are involved in any deposit transaction.

Finding 5 –Imprest Funds Not Approved by the State Treasurer's Office

DEP Response: Did not apply to DEP.

Finding 6 - WV Code Does Not Give Authority to Collect Revenues

DEP Response: Did not apply to DEP.

Finding 7 –No Reconciliation of Cash Receipts

DEP Response: Did not apply to DEP.

Finding 8 –Lack of Official Procedures for Cash Receipts

DEP Response: The DEP has implemented a Safekeeping Policy to ensure proper procedures are followed when depositing money for the agency.

Finding 9 –Excessive Collection Points

DEP Response: Did not apply to DEP.

**Legislative Post Audit
Cash Survey Findings Responses for Department of Administration**

Department of Administration agrees with the report findings and is working diligently to resolve the findings below. The detailed responses follow:

Ethics Commission:

Finding 1 – Moneys not deposited within 24 hours of receipt

Response: *The Ethics Commission will begin to deposit funds within 24 hours of receipt.*

Finance Division:

Finding 4 – Lack of Segregation of Duties between the Cashier and Accounts Receivable Function

Response: *If cash comes into the office, two people sign and a separate person deposits.*

General Services Division:

Finding 1 – Moneys Not Deposited Within 24 Hours of Receipt

Response: *General Services will begin to submit all cash received to the Accounting Section of the Finance Division on the same day received.*

Finding 3 – Lack of Receipts or Pre-Numbered Receipts

Response: *General Services has begun to issue pre-numbered receipts for all currency received.*

Finding 8 – Lack of Official Procedures for Cash Receipts

Response: *General Service's records money received and then delivers to DOA –Finance Division for deposit. We believe the Finance Division Cash Handling Policy of April 2007 covers General Services Division.*

Division of Personnel:

Finding 1 – Moneys Not Deposited Within 24 Hours of Receipt

Response: *The Division of Personnel receives checks or currency and sends to Finance Division's Accounting Section for deposit. The Accounting Section makes the deposit to the bank within 24 hours of receipt.*

Finding 3 – Lack of Receipts or Pre-Numbered Receipts

Response: *The Division of Personnel will begin to issue pre-numbered receipts for all currency received.*

Office of Technology:

Finding 3 – Lack of Receipts or Pre-Numbered Receipts**Response:** *The Office of Technology only receives an occasional check; most payments are made via Intergovernmental transfers. The Office of Technology will begin to keep a log of all check numbers received.*



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES
Office of the Secretary

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Charleston, West Virginia 25301

Telephone: (304) 558-0684 Fax: (304) 558-1130

Earl Ray Tomblin
Governor

Michael J. Lewis, M.D., Ph.D.
Cabinet Secretary

May 31, 2011

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Boulevard East
Charleston, West Virginia 25305-0610

Dear Ms. Sneed:

The West Virginia Department of Health and Human Resources (DHHR) has received and reviewed the preliminary draft of the General Remarks section of the completed Special Report of Cash Receipt Policies and Procedures of all State agencies. The DHHR recognizes the findings and stated conditions as expressed by the Legislative Post Audit Division within the draft of the General Remarks section of the Special Report and appreciates the opportunity to respond to the portions of those findings attributable to the DHHR.

Finding 1: Moneys Not Deposited within 24 Hours of Receipt

Summary of Condition

Finding Number 1 cited two hospital facilities under the Bureau for Behavioral Health and Health Facilities (Jackie Withrow Hospital and Lakin Hospital) for not depositing monies within 24 hours of receipt.

Management Response

The DHHR concurs with this finding and we will instruct the two hospital facilities in question to deposit monies within 24 hours of receipt, except for monies received on the weekends, for which we will require them to deposit on the following Monday or in the case of a holiday, the next business day.

(DHHR responses continued)

Finding 2: Inadequate Physical Safeguards over Moneys

Summary of Condition

Finding Number 2 cited the West Virginia Human Rights Commission; the Office of Inspector General (Medicaid Fraud Control Unit); and the Bureau for Public Health (Office of Chief Medical Examiner) as not securing monies by lock or key or another comparable method.

Finding Number 2 also cited two hospital facilities under the Bureau for Behavioral Health and Health Facilities (Hopemont Hospital and Mildred Mitchell Bateman Hospital) and one unit under the Office of Inspector General (Medicaid Fraud Control Unit) for allowing ten or more employees to have access to secured receipts.

Management Response

The cash receipts survey submitted for the Human Rights Commission disclosed that cash was stored in a special drawer in the office. Subsequent to completion of the cash receipts survey but prior to receipt of the Special Report, the Human Rights Commission hired a new finance director and monies received are now secured by lock and key via a locked metal box; the box is stored in a locked filing cabinet and only one person has the key.

The cash receipts survey submitted for the Office of Inspector General (Medicaid Fraud Control Unit) disclosed that cash was stored in a file folder in a secured area, whereby 17 persons had access to that area. Subsequent to receipt of the Special Report, the Medicaid Fraud Control Unit revised their procedures; they now secure cash receipts under lock and key and only one person within the unit has the key.

The cash receipts survey submitted for the Bureau for Public Health (Office of Chief Medical Examiner) disclosed that cash is stored in a special drawer until sent to BPH Central Finance for deposit. Upon further inquiries to the central finance office at the Bureau for Public Health, they confirmed that standard practice is to deposit such monies on the same day as receipt and to maintain those monies in a secured, locked area in the case of delay between the time of receipt and the time of deposit. Furthermore, the Bureau for Public Health is in the final stages of establishing an eGov collection process to reduce the amount of cash received at the various offices under their purview.

(DHHR responses continued)

The cash receipts survey submitted for the Bureau for Behavioral Health and Health Facilities (Hopemont Hospital) disclosed that 22 people had access to stored cash at one of the hospital's collection points. However, DHHR would like to note that the 22 people in question work in the hospital's cafeteria as cashiers on an intermittent basis and accordingly, must have access to the cash registers utilized within the cafeteria. Therefore, the DHHR cannot limit access to those monies without causing a significant disruption to the operations and/or daily work schedule at Hopemont Hospital.

The cash receipts survey submitted for the Bureau for Behavioral Health and Health Facilities (Mildred Mitchell Bateman Hospital) disclosed that 11 people have access to stored cash at one of its cash collection points, referenced on the survey as the "security" collection point. Please note that Mildred Mitchell Bateman Hospital has patient admissions that occur 24 hours a day, seven days a week. The Security Department at Bateman is responsible for securing patient monies that are brought in during patient admissions. Furthermore, visitors drop off money to patients during evening visitation hours, after the Trustee Office is closed, and the Security Department is responsible for securing that money if it is more than ten dollars, which is the maximum amount that patients may have in their possession. The security guards all work different shifts and it is everyone's responsibility in that department to collect money as necessary when they are on duty, hence the reason 11 people have access to cash, as there cannot be one specific person responsible for collecting money at all times within the Security Department. However, please note that cash collected by security guards from patients and visitors after hours are kept in a safe in the Valuables Room and on any given shift, only one person is responsible for collecting money; therefore, the controls are in place on a shift-by-shift basis to control the cash received and subsequently deposited in the safe.

Finding 3: Lack of Receipts or Pre-Numbered Receipts

Summary of Condition

(DHHR responses continued)

Finding Number 3 cited several bureaus, offices and commissions under the DHHR for having some collection points that did not prepare receipts to support the collection of moneys or that otherwise did not use pre-numbered receipts. Specifically, the finding references the Bureau for Medical Services; the West Virginia Health Care Authority; the Bureau for Behavioral Health and Health Facilities; the West Virginia Human Rights Commission; the Office of Inspector General; DHHR Operations; the Bureau for Public Health; and the West Virginia Women's Commission.

Management Response

The Post Audit Division's Special Report recommended that State agencies comply with West Virginia Code and record the collection of monies for each transaction onto a separate [pre-printed] pre-numbered receipt or some type of daily-itemized record. While the DHHR acknowledges that there is always room for improvement with respect to internal controls, as necessary to protect the legal and financial rights of the State, West Virginia Code does not require the use of pre-numbered receipts. Nonetheless, with respect to the portion of the recommendation referencing itemized daily records, the DHHR can confirm that all of the bureaus, offices and commissions in question do in fact keep an itemized record of cash receipts, as required per West Virginia Code §12-2-2.

The DHHR followed up on this finding with the Post Audit Division and using the Bureau for Medical Services as an example, we described the internal process within that Bureau for the maintenance of records containing adequate and proper documentation. In short, the Bureau logs all checks and related details into a network folder, which creates an itemized daily record; the separate cash receipt procedures that we submitted with the survey for the Bureau also described the FLEXI system, which is accounting software that the Bureau utilizes as an additional control to support these efforts. Due to this additional information, the Post Audit Division agreed to remove the Bureau for Medical Services from Finding Number 3.

With respect to the West Virginia Health Care Authority, they maintain spreadsheets/logs that detail the amounts invoiced and collected. The Health Care Authority has three primary sources of cash receipts.

(DHHR responses continued)

Ninety-five percent of their revenue comes from hospitals via annual assessments to hospitals that the Health Care Authority collects in the form of a one-time payment after generating an invoice to a hospital at the beginning of the fiscal year. The Health Care Authority also receives revenue in the form of Certificate-of-Need application fees, which healthcare providers file when the provider intends to incur a capital expenditure or expand healthcare services outside the threshold established by law. The Health Care Authority also receives revenue in the form of fees as related to requests for data. With the exception of the Certificate-of-Need application fees, the Health Care Authority maintains a list of receivables, they post the receipts when received and they reconcile those amounts monthly to FIMS. The Certificate-of-Need fee is logged in once the application is received and the fee calculation is verified upon receipt; these payments are also reconciled monthly to FIMS. If someone making a payment would happen to request a receipt, the Health Care Authority would provide one to that person or entity.

As stated above, the DHHR can confirm that all of the bureaus, offices and commissions referenced within Finding 3 do indeed keep itemized records of cash receipts, as required per West Virginia Code §12-2-2. Therefore, we respectfully request and are of the opinion that the Post Audit Division could remove all references to the DHHR from Finding 3. As further support and basis for our reasoning, the implementation of pre-numbered receipts would not address cash or checks received via the mail; therefore, the maintenance of an itemized record is the most important thing and, assumingly, the reason that matter is specifically addressed in West Virginia Code.

Finding 4: Lack of Segregation of Duties between the Cashier and Accounts Receivable Function

Summary of Condition

Finding Number 4 cited the Bureau for Medical Services; three hospital facilities within the Bureau for Behavioral Health and Health Facilities; and three offices under the Bureau for Public Health for a lack of segregation of duties between the recordkeeping and custody functions, in that cashiers had access to the accounts receivable system.

(DHHR responses continued)

Management Response

Part III (Policies and Procedures) of the cash receipts survey asked whether the spending unit had an accounts receivable department and, if so, asked whether the cashier had access to the accounts receivable system. The Post Audit Division issued a finding against every DHHR spending unit that marked "Yes" for both questions regarding the existence of an accounts receivable department and the cashier having access to the accounts receivable system. However, consideration was not given to other controls in place within the spending unit and the level of access to the accounts receivable system (e.g. inquiry access versus the ability to enter data or revise existing data within the system).

The DHHR followed up on this finding with the Post Audit Division and using the Bureau for Medical Services as an example, they did in fact mark "Yes" for the survey question asking whether the cashier had access to the accounts receivable system, which is assumingly why the Post Audit Division cited the Bureau for Medical Services within Finding 4. However, the Bureau for Medical Services erred in marking "Yes" within that question due to a misunderstanding of the survey question and they recently confirmed that the individual who receives the checks at the BMS does not have access to the postings within the FLEXI system. Additional factors and details regarding segregation of duties at the Bureau for Medical Services were described further in Part III, Question 5 of the cash receipts survey and within the "Check Receipt Procedures" that the Bureau attached to their survey. The DHHR submitted this additional information to the Post Audit Division whereby the Post Audit Division agreed to remove the reference to the BMS from Finding Number 4.

The Bureau for Public Health also disagrees with this finding on the basis that they too have additional controls in place to address the subject of segregation of duties. For each of the offices under the Bureau for Public Health, program staff members within those offices receive the cash, identify the specific accounts for deposit purposes and then forward those monies to the Bureau's Central Finance Office. The Bureau's Central Finance Office then prepares the deposit memorandum and forwards it to the DHHR Division of Accounts Receivable, who makes the official entry into FIMS.

(DHHR responses continued)

Furthermore, the Bureau for Public Health is in the final stages of establishing an eGov collection process, which will further enhance internal controls and reduce the amount of cash received at the various offices under their purview.

The Bureau for Behavioral Health and Health Facilities recognizes the need for the existence of effective internal controls to protect the legal and financial rights of the State and of persons directly affected by the Bureau's activities. Therefore, the Bureau has agreed to enhance their existing internal controls and to develop additional controls as may be necessary for the proper segregation of duties at the referenced locations, or they will implement alternate controls such as dual oversight of critical job functions.

Finding 5: Imprest Funds Not Approved by the State Treasurer's Office

Summary of Condition

Finding Number 5 cited one hospital facility under the DHHR Bureau for Behavioral Health and Health Facilities (Hopemont Hospital) as having an imprest fund for which the State Treasurer's Office did not approve.

Management Response

The DHHR does not concur with this finding due in part to the fact that the definition of "Imprest Fund" on the Post Audit Division's cash receipts survey differs from the definition expressly stated or implied within Legislative Rule, Title 112, Series 3 (CSR §112-3). The DHHR inquired about this issue with the Post Audit Division during the completion stage of the cash receipts survey and we followed up with the Post Audit Division, as well as the State Treasurer's Office upon their questioning of the matter subsequent to issuance of the Post Audit Division's Special Report.

According to West Virginia Code §12-2-12:

- *"The State Treasurer may establish an imprest fund or funds in the office of any state spending unit upon receipt of a proper application. To implement this authority, the State Treasurer shall propose rules for legislative approval in accordance with the provisions of article three, chapter twenty-nine-a of this code..."*

(DHHR responses continued)

The definition of "Imprest Fund" on the cash receipts survey is as follows:

- *"An imprest fund is commonly referred to as petty-cash. All monies held and stored specifically for the use of small purchases, change for the public, etc., are considered monies belonging to an imprest fund."*

The cash receipts survey states that an imprest fund is commonly referred to as "petty cash" and the DHHR agrees with this based upon *some* accounting definitions. However, for purposes of compliance with West Virginia Code §12-2-12 and CSR §112-3, the DHHR discovered that there is a distinct difference between a "petty cash" fund and a "cash change" fund.

According to CSR §112-3:

- *"For purposes of this rule...an 'Imprest Fund' means a cash change fund in a fixed amount maintained at an agency. The fund may be used for the purpose of providing automated teller machine (ATM) services at any agency or for cashing checks for students at state colleges and universities in West Virginia."*

The words "petty cash" are not referenced anywhere within CSR §112-3. The filing date for CSR §112-3 was July 30, 2010 and the DHHR assumes that if the State Treasurer's Office were looking to track petty cash, they would have referenced the words "petty cash" within the Rule. The DHHR believes that it would have been very likely and necessary to include the term "petty cash" in the definition for imprest funds within the State Rule if that is what the State Treasurer's Office wanted and intended; instead, the Rule simply references check-cashing services and automatic teller machine (ATM) services.

Hopemont Hospital definitely has a petty cash fund, which totals \$100 and is utilized for after hours and weekends to address incidental patient needs/wants (e.g. magazines, etc). However, the DHHR does not believe it is necessary to require Hopemont Hospital to complete and submit a form to the State Treasurer's Office if that office is defining "imprest funds" to mean a cash change fund only, which is different than a petty cash fund.

(DHHR responses continued)

The DHHR will do whatever is necessary to comply with applicable rules and regulations, but we want to make sure we are consistent in our procedures and the manner by which we are complying with West Virginia Code §12-2-12 and CSR §112-3. As stated above, the State Treasurer's Office has questioned the DHHR about imprest funds as it relates to a petty cash fund versus a cash change fund. The DHHR followed up by submitting this information to the State Treasurer's Office and we are awaiting their interpretation and instructions with respect to resolution of this matter.

Finding 6: W.Va. Code Does Not Give Authority to Collect Revenues

Summary of Condition

Finding Number 6 cited certain hospital facilities within the Bureau for Behavioral Health and Health Facilities; DHHR Operations; a number of offices under the Bureau for Public Health; and the West Virginia Women's Commission for not responding to the cash receipts survey question regarding the authority to collect some revenues.

Management Response

The applicable section of West Virginia Code authorizing hospital facilities to collect revenues is referenced within West Virginia Code §16-1-13. For DHHR Operations and as a general reference for DHHR as a whole, the applicable section is West Virginia Code, Chapter 16, Article 1. West Virginia Code §16-1-11 applies to the Bureau for Public Health and West Virginia Code §29-20-4 applies to the West Virginia Women's Commission.

This finding relates to Part II, Question 2 on the cash receipts survey, the phrasing of which was as follows: "If applicable, what WV Code section gives the spending unit the authority to collect monies for the purposes mentioned above?" The DHHR agrees with the Condition statement of the finding whereby the hospitals, offices and commission noted therein did not respond to that question.

(DHHR responses continued)

However, the phrasing of the question and use of the words "if applicable" created the assumption by those persons completing the survey that an answer was not required if indeed believed to be not applicable.

For example, the West Virginia Women's Commission has one cash collection point and the only cash or equivalents that they receive are related to registration fees for their annual event. When they completed their cash receipts survey, the Women's Commission was unaware of a specific West Virginia Code citation authorizing their annual event and they did not follow-up on the issue due to the phrasing of the survey question. As another example, albeit very basic, William R. Sharpe Jr. Hospital has several cash collection points related to a snack bar and cafeteria. When asked about the West Virginia Code section that authorizes the hospital to collect those monies, they left the question blank due in part to the phrasing of the survey question and use of the words "if applicable" related to and prefaced therein.

Finding 7: No reconciliation of Cash Receipts

The DHHR was not cited within Finding Number 7.

Finding 8: [This finding does not have a heading]

Summary of Condition

The first part of Finding Number 8 cited the West Virginia Women's Commission; the West Virginia Commission for the Deaf and Hard of Hearing; the West Virginia Health Care Authority; and two offices under the Bureau for Public Health as not having any official written procedures for the cash receipt process of some collection points. The second part of Finding Number 8 cited the Bureau for Behavioral Health and Health Facilities; the Office of Inspector General (Medicaid Fraud Control Unit); and four offices under the Bureau for Public Health for not answering the survey questions as to whether they had written procedures for the cash receipt process.

Management Response

(DHHR responses continued)

The DHHR reviewed the surveys again with respect to Finding Number 8 and we can confirm that the West Virginia Women's Commission and the West Virginia Commission for the Deaf and Hard of Hearing do not have written procedures for the cash receipt process. However, as stated within the response to Finding Number 6, the West Virginia Women's Commission has one cash collection point and the only cash or equivalents that they receive relate to registration fees for their annual event. With respect to the West Virginia Commission for the Deaf and Hard of Hearing, they too have one cash collection point and the only cash or equivalents that they receive relate to registration fees for training. Per review of the cash receipt surveys, the DHHR verified that both of those commissions document the receipt of cash within their itemized daily records and then they forward the monies to DHHR Finance (Division of Accounts Receivable) for further processing. Therefore, both commissions receive a limited amount of cash and do in fact maintain adequate and proper documentation for the cash receipt process.

With respect to the West Virginia Health Care Authority, they receive cash and equivalents from a variety of sources and thus understand the importance of strengthening their internal controls through the development of official written procedures for the receipt of cash and equivalents. Therefore, the DHHR can confirm that the Health Care Authority is in the development stage of re-evaluating their cash receipts process and drafting written policies and procedures related thereto, which they should complete within the upcoming months.

As totaled in the above Summary of Condition, the first and second parts of Finding Number 8 relate to six offices (nine cash collection points) under the Bureau for Public Health. However, as stated within the response to Finding Number 4, program staff members within those offices under the Bureau for Public Health receive the cash, identify the specific accounts for deposit purposes and then forward those monies to the Bureau's Central Finance Office. The Bureau's Central Finance Office then prepares the deposit memorandum and forwards it to the Division of Accounts Receivable, who makes the official entry into FIMS. Furthermore, the Bureau for Public Health is in the final stages of establishing an eGov collection process, which will further enhance internal controls and reduce the amount of cash received at the various offices under their purview.

(DHHR responses continued)

The DHHR reviewed the cash receipts survey submitted by the Bureau for Behavioral Health and Health Facilities. While we can verify that the Bureau for Behavioral Health did not provide *separate* written procedures for the cash receipt process, the survey did in fact reference the manner by which the Bureau documents cash and it described a number of internal procedures with respect to the reconciliation process between cash received and cash deposited. Nevertheless, the Bureau for Behavioral Health and Health Facilities indicated a new program under their purview and they recognized the need to develop procedures for that cash receipt process.

Upon further inquires to the Office of Inspector General (Medicaid Fraud Control Unit), they verified that they have revised their procedures for the handling of cash receipts and that they are in the process of improving their internal policies related thereto.

Finding 9: Excessive Collection Points

Summary of Condition

Finding Number 9 cited four bureaus within the DHHR (Bureau for Children and Families; the Bureau for Child Support Enforcement; the Bureau for Behavioral Health and Health Facilities; and the Bureau for Public Health) as having an excessive number of collection points. The finding specifically notes that the affected finding relates to agencies surveyed that had five or more collection points.

Management Response:

Even though the bulleted "Note" within the Special Report states that, "These collection points include sub-divisions of the agencies," the DHHR is of the opinion that the finding could mislead the reader of the report, mainly because the sub-divisions utilized within the auditor's computations (for total number of collection points) have differing addresses from one another. Furthermore, in most cases those subdivisions have differing physical locations whereby they are located in completely different cities, towns or counties from one another.

(DHHR responses continued)

For example, Finding Number 9 references the Bureau for Children and Families as having 55 cash collection points. However, we would like to note that the Bureau for Children and Families has offices in every county in West Virginia and as stated within the survey submitted by the Bureau, each of the 55 counties has a cash collection point. The legislative auditors inquired as to why the Bureau for Children and Families had so many collection points and, within an email dated April 12, 2011, the DHHR responded with the following statements:

"It is because the county/area offices (those used to be called "welfare" offices prior to Federal Welfare Reform) within the DHHR are under the purview of the Bureau for Children and Families, and each of those county offices has a cash collection point. The area offices are where citizens go who need assistance (e.g. food stamps, adoption services, temporary assistance for needy families, low-income energy assistance payments, etc) for improved quality of life. When you hear about social workers, economic service workers, child protective service workers, etc, most of them are located at the area offices. You can view those offices by going to the following page <http://www.wvdhhr.org/bcf/about/> and then clicking the link titled 'Regional Offices'."

A similar example exists for the number of collection points expressed within the survey submitted by the Bureau for Child Support Enforcement because that Bureau also has employees (Child Support Specialists, Technicians, etc) stationed in every county office. Therefore, there is a need to have 55 collection points since the DHHR serves the citizens of West Virginia on a statewide basis. We certainly would not want or expect someone in Cabell County to drive to Kanawha County to pay their child support, which is one of the most frequent collections that occur within those county offices. The DHHR could not centralize those locations, as recommended within the Post Audit Division's Special Report, without affecting the quality of our services and causing further hardship to citizens and related clients, who are the ultimate beneficiaries of our services.

Finding Number 9 also references 17 cash collection points within the Bureau for Behavioral Health and Health Facilities. However, only one of those cash collection points relates to the Bureau's central headquarters.

(DHHR responses continued)

The other 16 cash collection points relate to 3 collection points at Hopemont Hospital - 5 at Mildred Mitchell Bateman Hospital - 4 at William R. Sharpe Jr. Hospital - 1 at Jackie Withrow Hospital - 1 at John Manchin Sr. Health Care Center - 1 at Lakin Hospital - 1 at Welch Community Hospital. Even though the Findings Summary sheet included within the Post Audit Division's Special Report lists the hospital facilities individually, when the finding was drafted, all of the hospitals were lumped into the overall Bureau for Behavioral Health and Health Facilities, which caused the cash collection points to exceed five for that Bureau. The DHHR disagrees with the process utilized for developing the finding because it could prove misleading to the reader of the report, as it appears that the Bureau has 17 cash collection points whereas actually, those 17 collection points are located at eight different hospitals and nine different physical locations.

This finding affects the Bureau for Public Health as well in that the Special Report references the Bureau as having 10 cash collection points. However, the 10 collection points for the Bureau for Public Health relate to seven different offices under that Bureau. There is 1 cash collection point at the Office of Chief Medical Examiner - 4 collection points at the Office of Environmental Health Services - 1 at the Office of Health Facility, Licensure and Certification - 1 at the Office of Laboratory Services - 1 at the State Hemophilia Program - 1 at the State Trauma Emergency System - 1 at the Vital Registration Office. Therefore, this portion of the finding could prove misleading as well because although there are indeed 10 cash collection points within the Bureau for Public Health, the reader of the report may not realize that those 10 collection points relate to seven different offices, all of which have different physical locations.

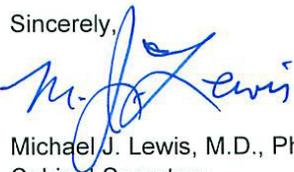
Error Discovered by the DHHR Subsequent to Receiving the Special Report

Upon reviewing the findings noted within the Post Audit Division's Special Report and evaluating all of the surveys submitted on behalf of the DHHR, we discovered that we neglected to submit a survey for one of the spending units within the DHHR. Therefore, the DHHR followed up on this issue by completing the survey and submitting it to the Post Audit Division via an email dated May 28, 2011.

(DHHR responses continued)

Follow-Up

Thank you once again for the opportunity to respond to the preliminary draft of the General Remarks section of the completed Special Report of cash receipt policies and procedures. If you have any questions or comments regarding this submission, please do not hesitate to contact Brian M. Cassis, Director, Office of Internal Control and Policy Development at 304-558-7314.

Sincerely,

Michael J. Lewis, M.D., Ph.D.
Cabinet Secretary

cc: Warren Keefer
Brian Cassis



Earl Ray Tomblin
Governor

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C.R. Dye
Director/State Forester

May 12, 2011

JOINT COMMITTEE

MAY 13 2011

POST AUDIT DIVISION

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Boulevard East
Charleston WV 25305

Dear Ms. Sneed:

Regarding the Legislative Post Audit survey on Cash Receipts, I thank you for the opportunity to respond to the two areas of concern that the Division of Forestry was cited for within your special report.

The Division of Forestry was included in Finding 3 "Lack of Receipts or Pre-Numbered Receipts" and Finding 9 "Excessive Collection Points".

Agency Response: We will order and begin using pre-numbered receipts for all transactions. We have had a policy of not accepting cash and accepting only checks made out to the state agency and have used the cancelled check as one form of receipt as well as other receipts which in some cases have been pre-numbered and in other cases have not. We will begin using pre-numbered receipts exclusively. Regarding collection points, we serve citizens in all 55 counties and have a total of 10 collection points which we consider efficient and cost effective, not only for the Division of Forestry but also for the citizens of the state. However, we will study to see if we could consolidate some of those collection points and still provide the appropriate level of customer service to all citizens of West Virginia.

Sincerely,

C. R. Dye, Director/State Forester
Division of Forestry

CC: Keith Burdette, Cabinet Secretary
Angel Moore, Deputy Secretary

West Virginia State Parks Cash Receipts Study Response

Responses, unless noted otherwise, apply to all listings under the heading of Parks.

Finding 2 - Inadequate Physical Safeguards Over Moneys

Response: *Chief Logan State Park.* Cash control policies have been corrected to have all receipts under lock and key at all times.

Finding 3 - Lack of Receipts or Pre-Numbered Receipts

Response: *Pipestem State Park.* Cash control policies have been corrected to guarantee full submittal of documents. The boat dock, which rents paddle boats, row boats, and canoes, uses a standard SP-1 Boat Rental Form that each renter signs and it indicates the details of each individual rental. This revenue center also turns in a summary report. Park office will now pre-number each SP-1 prior to the beginning of each work day and reconcile the numbered sheets after each shift insuring a complete submission.

Finding 4 - Lack of Segregation of Duties between the Cashier and Accounts Receivable Function

Response: Individual area respondents misinterpreted the survey question and responding accordingly to this misconception. They believed the question referred to FIMS access. Many of our clerks are responsible for verifying vendor registrations through the use of FIMS.

Finding 9 - Excessive Collection Points

Response: West Virginia State Parks operate within the hospitality industry and must provide services to its patrons based on industry standards. Centralization of collections points would put an unnecessary burden on the guests that utilize our facilities.

WV Division of Natural Resources-Wildlife Resources Section

Finding 1 - Moneys Not Deposited within 24 Hours of Receipt

Response: Daily Cash deposits are made for the Charleston Office, the Elkins Office, and the District Offices. Some Wildlife Management Offices are in rural areas, several miles from a bank, making it a hardship to make daily deposits, for a small amount of money. Becoming an Outdoorswoman is a three day event. Money is deposited the next business day, following the event.

Finding 3 - Lack of Receipts or Pre-Numbered Receipts

Response: No receipts are given at Becoming an Outdoorswoman - this is a small event.

Finding 4 - Lack of Segregation of Duties between the Cashier and Accounts Receivable Function

Response: Archery in Schools (AIS) and Becoming an Outdoorswoman (BOW) only have one to three employees working an event, making separation of duties an impossibility.

Finding 5 - Imprest Funds Not Approved by the State Treasurer's Office

Response: District 2 Office is holding \$10 to make change with from the initial calendar sales and depositing it when the calendars have all been sold.

Finding 7 - No Reconciliation of Cash Receipts

Response: No comment.

Finding 8 - Lack of Official Procedures for Cash Receipts

Response: The Wildlife Resources section follows the procedures in the WV Code. Only the License Unit has written procedures, due to the amount of cash they take in.

Finding 9 - Excessive Collection Points

Response: Wildlife Resources only has one point of cash collection in most areas - a limited number have two collection points.

Additional Comments

Response: I feel that some of the employees who answered the surveys may not have understood the questions that were being asked, which resulted in findings for the agency.

Emily S. Fleck, CPA
Business Manager



West Virginia Environmental Quality Board

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May 18, 2011

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E
Charleston, West Virginia 25305

Dear Ms. Sneed:

On behalf of the Environmental Quality Board, I would like to take this opportunity to thank you and your staff for conducting the Cash Receipts Study.

We have received the preliminary draft of the special report of cash receipts policies and procedures of all State agencies which includes the discovery of one finding from the information submitted by the Environmental Quality Board. To correct the finding, the Board has adopted your recommendation to provide pre-numbered receipts to support the collection of moneys. The Board's written procedures have been updated to comply with W.Va. Code.

If you have any further questions, please do not hesitate to contact me at (304) 926-0445.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Snyder".

Edward M. Snyder, Ph.D.
Chairman

West Virginia Medical Imaging & Radiation Therapy Technology Board of Examiners

Finding 1 - Moneys Not Deposited within 24 Hours of Receipt

Response: *The Board has recently been selected by the WV Treasurer's Office to participate in an ACH Deposit program, the only Chapter 30 Licensing Board selected. The vast majority of checks received in by the office are personal checks and are deposited / credit to our account in the Treasurer's office immediately upon posting, which is done the day of receipt. This ACH Deposit program does not allow for the electronic depositing of business checks, money orders, foreign checks or cash. Any business checks, money orders, cash, etc. received are deposited semi-monthly. In order for our Board to make deposits on a daily basis, we would have to close our office for our Administrative Secretary to drive to the bank or require the Board to pay this individual overtime if done afterhours. On our busiest month, we may receive 8-10 business checks or money orders and maybe around \$ 200.00 cash (which is very seldom). Therefore, it is not cost effective for our Board to make daily deposits of these types of transactions.*

Grady M. Bowyer, R.T. (R)
Executive Director

WV Solid Waste Management Board

Finding 3 - Lack of Receipts or Pre-Numbered Receipts

Response: *Currently, the Solid Waste Management Board (SWMB) collects money at our Charleston Office for FOIA request and loan payments. The SWMB at the time of this survey did not prepare pre-numbered receipts for these collections. The SWMB will begin distributing pre-numbered receipts for these collections from this point forward.*

Scott Norman
Chief Financial Officer

Kanawha Valley Community & Technical College

Finding 8 – Lack of Official Procedures for Cash Receipts

Response: *We're in the process of developing formalized written procedures to document our process for cash receipts.*

Pat Hunt
Chief Financial Officer

MEMORANDUM

May 31, 2011

TO: Elizabeth Kinsey, Legislative Auditor's Office
FROM: Stephen Lee, Executive Director, **Office of Tax Appeals**
SUBJECT: Legislative Post Auditor's Cash Receipts Study – Response

The Office of Tax Appeals was referenced in two (2) of the findings that were a result of this study. In that regard, we respectfully submit this response for submission to the Legislative Subcommittee.

Finding 3 – Lack of Receipts or Pre-numbered Receipts

The agency deals with a very small amount of collections; however, it does understand the need to establish a chronology of receipts. We will institute a pre-numbered receipt system to comply with West Virginia Code 12-2-2.

Finding 8 – Lack of Official Procedures for Cash Receipts

Although we have an internal procedure for our collections that is verbal but involves a segregation of duties, no formal written policy is currently in place for collections. The Office of Tax Appeals understands the need for such documentation and a formal cash receipts policy will be developed and added to our current standard operating procedures in accordance with West Virginia Code 5A-8-9.

Thank you for the opportunity to respond to these findings. Please do not hesitate to contact me with regard to this or any other aspects of the Post Legislative Audits.

cc: A.M. "Fenway" Pollack, Chief Administrative Law Judge
Charles O. Lorensen, Cabinet Secretary, Department of Revenue



State of West Virginia

Office of the State Auditor
1900 Kanawha Boulevard, East
State Capitol Complex, Building 1, Room W-100
Charleston, West Virginia 25305

Glen B. Gainer III
State Auditor

Telephone: (304) 558-2251
FAX: (304) 558-5200
www.wvsao.gov

May 31, 2011

Ms. Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., East
Charleston, WV 25305

Dear Ms. Sneed:

In response to your letter of May 4, 2011, enclosed you will find our written responses to the findings contained in the draft of your special report of cash receipts policies and procedures which appear to impact my office. We appreciate the opportunity to review the draft prior to its discussion with the Sub-Committee and offer our responses thereto.

If we may be of further assistance, do not hesitate to contact us at (304) 558-2251.

Sincerely,

A handwritten signature in black ink, appearing to read "Glen B. Gainer III".

Glen B. Gainer III
State Auditor

GBGIII;MS:cc

Enclosure

STATE AUDITORS RESPONSES TO SPECIAL REPORT

CASH RECEIPTS POLICIES AND PROCEDURES

Finding #1 - The EPICS Payroll Division of the State Auditor's Office periodically receives certain fees relating to the official filings of legal payroll garnishments which impact State employees. Almost without exception, the collection of these filing fees are in the form of an order to pay (check) and the receipt of currency is exceedingly rare. The established internal controls within this office have been set up to ensure the prompt and effective implementation of legal garnishments, as well as, the protection of the collected receipts while in our custody and awaiting transfer to the State Treasurer's Office. Since the receipts of this type are periodic and the same employees who process and implement legal garnishments also have the responsibility of ensuring all State payrolls are timely processed, we have an established procedure to require deposit of filing fees on a weekly basis, rather than 24 hours after receipt. During the period from July 1, 2010 through May 15, 2011, the total amount of such fees collected and deposited totaled \$376.00

Finding #2 - The Land Division of the State Auditor's Office is responsible for the collection of the redemption charges from landowners with respect to the property taxes for plots of land which have been transferred to the State Auditor's Office in accordance with the provisions of Chapter 11A, Article 3 of the West Virginia Code. In addition, the Land Division is also responsible for the collection and distribution of property assessments of public utility companies operating in more than one county in West Virginia as provided for in Chapter 11, Article 6 of the West Virginia Code. During the fiscal year ending June 30, 2010, this office collected and distributed to the various counties, county school systems and towns a total of \$164,230,039.33 in public utility company assessments and a total of \$1,657,850.64 in redemption charges for properties of landowners. The vast majority of these collections are intended legislatively for the operations of the various county school systems in the State.

We believe our current system of internal controls in the Land Division provides for adequate safety and security of the collections noted above. In light of the current physical limitations on working space present in the operations of the Division, designated work flows have been developed to effectively and efficiently process these payments and make the funds available in a timely fashion to the local governments. We believe a more centralized receipting function would not necessarily provide greater security of the collections and could at the same time slow the intensive document processing which is inherent in this process. We would point out that physical access to the work areas in the Land Division is restricted to authorized employees and these work areas are not directly accessible to the public. However, my office will continue to review our receipting processes on a regular basis in an effort to improve internal controls.

Finding #3 - Our various receipting systems in use in the Chief Inspector Division, Land Division, EPICS Payroll Division and the Securities Division have other offsetting strengths which must be considered when evaluating the adequacy of the internal control structure and the security measures in place over collections. Specifically, each type of collection by these various Divisions has specific supporting documentation which ties the receipt to our accounting records and is used in the reconciliation process. In many cases, other units of government are awaiting receipt and transfer of funds collected by this office and the anticipation of that funding constitutes a direct offsetting strength. In addition, the receipting procedures are set up to require a full and complete reconciliation between the cash receipts records at the Divisional level with the actual deposit prepared for transfer to the Administration Division of my office for final processing prior to submission to the State Treasurer's Office as required by law.

Finding #5 - The special report is correct. This office had inadvertently failed to obtain authorization from the State Treasurer's Office as required by Chapter 12, Article 2, Section 2 of the West Virginia Code in regard to the \$150.00 change fund used by the Land Division. Once we learned as a part of our response to your survey that this change fund had not been authorized, we immediately obtained the required authorization of the State Treasurer for the change fund on September 16, 2010. The change fund subsequently has been and will continue to be subjected to surprise cash counts by my Internal Auditor, as well as, internal audit with respect to the activities of the change fund.



STATE OF WEST VIRGINIA

Offices of the Insurance Commissioner

EARL RAY TOMBLIN
Governor

JANE L. CLINE
Insurance Commissioner

May 31, 2011

Ms. Stacy L. Sneed, CPA, CICA, Director
Ms. Elizabeth Kinsey, Auditor
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.
Charleston, WV 25305-0610

Dear Ms. Sneed and Ms. Kinsey,

Thank you for the opportunity to respond to the preliminary draft report on the cash receipts survey conducted by the Legislative Post Audit Division. Accordingly, we offer the following response on behalf of the Offices of the Insurance Commissioner.

The sole area that the WV Offices of the Insurance Commissioner received a comment on with regard to the internal controls established over the cash receipts process was "Finding 9" – Excessive Collection Points. The benchmark used to define excessive in the Legislative Auditor's survey was five or more collection points, and the OIC had reported six collection points in their operations.

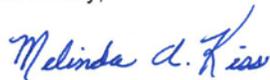
We agree that the collection points for cash receipts should be kept to the absolute minimum in order to provide consistent and effective internal controls over cash received at any agency. One of the primary goals of the OIC's established cash receipts policy is to limit the access to our agency's cash receipts. As stated in the narrative submitted with the survey, 90% of the OIC's cash receipts enter the agency via a secure lockbox arrangement with the State Treasurer's Office. As a matter of policy, the OIC encourages the use of the lockbox arrangement whenever possible. Of the remaining 10% of cash receipts, the majority of payments are received through the U.S. Mail to a centralized collection point. Also of note, less than .01% (.000056) of the in-house cash receipts consists of currency.

In establishing the collection points, the OIC has attempted to balance the goals of meeting customer needs via efficient operations with the need for effective controls over the cash receipts. While the OIC has not designated a single, centralized collection point for all agency walk-in revenues, we have implemented compensating controls at each collection point by limiting access to the cash to minimum number of personnel possible, physically securing the cash receipts at all times, numbered receipts, logging of cash received, segregated reconciliation processes and management oversight. Our independent auditors review our cash receipts processes annually and we have received no audit findings on our processes.

In order to provide additional assurances to the Legislative Auditor, we would also like to mention that recent process changes have virtually eliminated one of our collection sites. Our Rates & Forms Department has implemented the mandatory use of EFT (Electronic Funds Transfer) payments for all insurance carrier rate & form filing fees. (Please see a copy of WV Information letter No. 163 attached). While the mandatory use of EFT for rate and form filings became effective in January 1, 2009 a few carriers did not achieve compliance with the mandate until the past fiscal year. The OIC now receives 99.9% of its rate & form filings and accompanying filing fees electronically. Accordingly, it is debatable if that Unit of the OIC can still be considered a collection site. However, in the interest of full disclosure to the Legislative Auditor we included that site in the total count as there were some fees received in the prior fiscal year we reviewed. If the Rates & Forms Unit is removed from the count, our total number of collection sites is five.

In closing, we would also like to acknowledge the thoroughness and completeness of the survey conducted by the Legislative Auditor as well as the responsiveness and professionalism of your office during this project.

Sincerely,



Melinda A. Kiss, CPA
Assistant Commissioner of Finance
Offices of the Insurance Commissioner





STATE OF WEST VIRGINIA

Offices of the Insurance Commissioner

JOE MANCHIN III
Governor

JANE L. CLINE
Insurance Commissioner

September 2008

WEST VIRGINIA INFORMATIONAL LETTER

NO. 163

To: All Insurance Companies Licensed to do Business in the State of West Virginia

RE: Mandatory Use of SERFF and EFT for Submitting Rate and Form Filings

Effective January 1, 2009, the West Virginia Offices of the Insurance Commissioner (OIC) will no longer accept paper filings. All insurance rate, rule and form filings must be submitted via the System for Electronic Rate and Form Filing (SERFF). All fees due in connection with such filings must be paid with Electronic Funds Transfer (EFT). Any paper filings received after January 1, 2009 will be returned to the filer without review.

Insurers, rating organizations and authorized filers can subscribe to SERFF by contacting SERFF at (816) 783-8787 or via email at serffmktg@naic.org. Additional information regarding SERFF and EFT may be obtained by visiting www.serff.org.

Insurers and other filers are encouraged to take formal training so they can fully utilize the SERFF system. Contact information regarding training can be found at the SERFF website at <http://www.serff.org/training.htm>. A variety of formats are available, including online training.

Although the deadline is January 1, 2009, insurers are strongly encouraged to immediately begin making arrangements to use SERFF and EFT exclusively. We also encourage insurers that use authorized filers to immediately notify those entities so that they can make arrangements to be SERFF and EFT compliant prior to the deadline.

Questions regarding this bulletin should be referred to Tonya Childress Gillespie at Tonya.Gillespie@wvinsurance.gov or 304-558-6279, ext. 1265.

ss://Jane L. Cline
Jane L. Cline
Insurance Commissioner

WVIL 163

Executive Office
Post Office Box 50540
Charleston, West Virginia 25305-0540

"We are an Equal Opportunity Employer"



Telephone 304.558.3354
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STATE OF WEST VIRGINIA

REAL ESTATE APPRAISER LICENSING AND CERTIFICATION BOARD

Enola G. Ellis
Administrative Assistant

Sandra S. Kerns, Executive Director
2110 Kanawha Blvd., East Suite 101
Charleston, West Virginia 25311
304-558-3919 Fax 304-558-3983

Karen Hudson
Executive Assistant

JOINT COMMITTEE

JUN 02 2011

POSTAUDIT DIVISION

To: Stacy Sneed, CPA, CICA, and Director
Legislative Post Audit Division

From: Sandy Kerns, Executive Director *Sandra Kerns*
WV Real Estate Appraiser Licensing and Certification Board

Date: June 1, 2011

Re: Cash Receipts Procedures

It was recently brought to our attention that our agency needed to establish a written procedure for the cash receipt of incoming checks and money orders. The West Virginia Real Estate Appraiser Licensing and Certification Board does not accept cash payments. The written procedure was put into place as of June 1, 2011.

Additionally, effective June 1, 2011, we have a daily log of all incoming checks and money orders per your suggestion. The log details: date received, check number, payee, amount and purpose of payment.

Thank you for working with our agency on establishing these procedures.

BOARD MEMBERS

Mary Beth Allveto, Fairmont **R. Scott Barber**, Huntington **Dale Dawson Clowser**, Charleston
The Honorable Anthony Julian, Fairmont **Virginia Shaw**, New Haven **David Shields**, Bluefield
Glenn Summers, Clendenin **Linda York**, Morgantown



STATE OF WEST VIRGINIA
Department of Revenue
State Tax Department

Earl Ray Tomblin
Governor

Craig A. Griffith
State Tax Commissioner

May 26, 2011

Ms. Stacey L. Sneed, CPA, CICA Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.
Charleston, WV 25305

Dear Ms. Sneed,

The State Tax Department recently received the notice of the Legislative Auditor's Cash Receipts Survey findings as of September 30, 2010. The report cited findings for the State Tax Department. Our responses to the findings are attached.

If you should require additional information, please do not hesitate to contact Cynthia Dunbar, Internal Auditor, at 304-558-5463 or Cynthia.J.Dunbar@wv.gov.

Sincerely,

Craig A. Griffith
State Tax Commissioner

Attachments

cc: Charles O. Lorensen
Secretary, Department of Revenue

TAX COMMISSIONER'S OFFICE
1001 LEE STREET, EAST, P.O. BOX 11771, CHARLESTON, WV 25339-1771
TELEPHONE (304) 558-0751
FAX (304) 558-8999

Finding 1: Moneys Not Deposited within 24 Hours of Receipt

Condition: Our surveys revealed 45 State agencies or approximately 28% surveyed had collection points that did not deposit moneys within 24 hours of receipt as required by WV Code. Outside of the 24 hour statute, the amount of time that elapsed between the moneys being received until moneys were deposited ranged from a minimum of three days to a maximum of a couple of months.

Criteria: WV Code §12-2-2, as amended, states in part:

“(a) All officials and employees of the state authorized by statute to accept moneys due the State of West Virginia ... shall deposit within twenty-four hours with the State Treasurer all moneys received or collected by them for or on behalf of the state for any purpose whatsoever.” (Emphasis Added)

Cause: Some agencies noted the inconvenience of making daily trips to a bank or the State Treasurer’s Office when moneys collected were infrequent in nature and of small amounts.

Effect: The risk of moneys being damaged, destroyed, lost or stolen is increased when the moneys are not promptly deposited. In addition, the lack of daily deposits results in lost interest earnings for the State.

Recommendation: We recommend State agencies comply with WV Code and deposit moneys within 24 hours of receipt.

Tax Department Response to Finding 1:

The Compliance and Taxpayer Service Division of the State Tax Department operates from thirteen locations throughout the state, promoting compliance with state tax laws and regulations through enforcement while also providing customer service to West Virginia taxpayers. Each office is staffed with revenue agents who are charged with the responsibility of utilizing all appropriate provisions of the WV Code to facilitate the collection of delinquent taxes due the State.

Most revenue agents of the Division are assigned a specific geographic territory in which to perform his or her duties. Agents spend a significant amount of their time travelling to the locations of tax debtors, successfully collecting delinquent tax revenues. In addition, the presence of offices throughout the state provides residents in close proximity access to a quick and easy repository for their tax returns and remittances.

In the taxable year 2009, approximately \$28 million dollars, 20.9% of the Division’s total collections, was physically received by agents or representatives in our regional offices. In 2010, the total rose to approximately \$38 million dollars, or 22.8% of the Division’s total collections. All cash received by Division personnel, regardless of location, is deposited within 24 hours of receipt. All checks received in remote locations are forwarded within 24 hours to the Department’s Revenue Division in Charleston for handling. The Revenue Division utilizes modern character and signature recognition equipment and software, ensuring the accurate balancing and encoding of checks while providing detailed deposit files and a thorough audit

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1001 LEE STREET, EAST, P.O. BOX 11771, CHARLESTON, WV 25339-1771
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trail. All check payments received directly by remote locations must be sent to Charleston for proper handling, which causes a slight delay in the deposit of these payments.

The Department has implemented an on-line filing and payment mechanism called MyTaxes, as part of its integrated tax system. MyTaxes allows taxpayers to schedule electronic payments for all taxes administered by the Department. In addition, the Department contracts with a third party, Official Payments, to provide taxpayers with the ability to pay taxes by credit card. More and more taxpayers are choosing these electronic payment options, meaning the Department realizes a monetary savings over the more costly handling of paper checks, while ensuring deposit within 24 hours.

The Department prefers taxpayers to make electronic payments as opposed to paper check payments, and has spent significant resources developing and promoting its electronic payment options. However, revenue agents must be allowed to receive delinquent tax payments in their respective locations if they are to effectively carry out their duties, and a great number of citizens still prefer to utilize regional offices as a convenient pay point. While the Department will continue to strive for more efficient processes and procedures in the area of revenue deposit, for the reasons described above we are currently unable to fully comply with the Legislative Auditor's recommendation.

Finding 7: No Reconciliation of Cash Receipts

Condition: Six State agencies did not answer whether some collection points had a reconciliation process to ensure all moneys received were deposited intact.

Criteria: Management is responsible for establishing and maintaining effective internal controls. A fundamental concept of internal control is adequate physical safeguards over cash.

WV Code §5A-8-9, 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 person directly affected by the agency's activities..."

Cause: Some agencies told us they did not perform a reconciliation because they did not have adequate staffing or they only received a small amount of checks or cash and mostly received credit card payments.

Effect: The risk of theft and or loss of moneys is increased due to a lack of reconciliation process to ensure that all moneys received were deposited intact. Moneys may be missing and go unnoticed by management.

Recommendation: We recommend State agencies implement a reconciliation process to ensure that all moneys received were deposited intact.

TAX COMMISSIONER'S OFFICE
1001 LEE STREET, EAST, P.O. BOX 11771, CHARLESTON, WV 25339-1771
TELEPHONE (204) 558-0751
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Tax Department response to Finding 7:

The Tax Account Administration Division (Corporate Income and Personal Income Tax Units) did not respond to Part III, number 5 of the survey which asked us to describe the reconciliation process between cash received and cash deposited.

Receipt of cash or checks in these particular units is rare. When a taxpayer comes into the Revenue Center and pays cash, they are issued a receipt. The processing document(s) is prepared and the cash is hand carried to the Revenue Processing Division. The person who receives the cash in the Revenue Processing Division issues a receipt to the person delivering the cash. The cash is deposited within 24 hours of receipt. The receipt issued by Revenue Processing is then attached to the actual receipt book. Notes are placed on the taxpayer's integrated tax system account stating the cash was received and delivered for processing. Once a month a supervisor audits the receipt book by reviewing the tax account in our system to verify the payments have been posted.

When checks are received in the Unit(s), they are sent with the processing document to the Revenue Processing division and deposited within 24 hours. Notes are placed on the taxpayer's integrated tax system account showing that a check was received and sent for processing. In the rare event that a taxpayer does not receive proper credit, they are notified by the system due to an outstanding liability and are requested to contact us regarding the payment.

We will comply with the Legislative Auditors recommendation.

Finding 8: Lack of Official Procedures for Cash Receipts

Condition: 21 State agencies did not answer whether they had any written procedures for the cash receipt process of some collection points.

Criteria: Management is responsible for establishing and maintaining effective internal controls.

WV Code §5A-8-9, 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 person directly affected by the agency's activities..."

Cause: Some agencies told us it was an oversight that cash receipt procedures were not in written form, but they have had long standing verbal procedures.

Effect: Without written procedures for the cash receipt process, internal controls may not be in place or properly implemented. Also, without having an agency-wide policy or procedure

for documenting and collecting revenues, there may not be consistency between departments for the collection and depositing of moneys.

Recommendation: We recommend all State agencies strengthen internal controls over the cash receipt process and document the cash receipt process (and internal controls) in a written policy or procedure.

Tax Department Response to Finding 8:

Corporate Income and Personal Income Tax Units of the Tax Account Administration Division rarely if ever receive cash or checks. The policy for receiving cash instructs the employee to issue a receipt to any taxpayer paying cash.

All cash received by Revenue Center tax employees is hand delivered to Revenue Processing where a receipt issued to the person delivering the cash. The receipt issued by Revenue Processing is then attached to the actual receipt book. Notes are placed on the taxpayer's integrated tax system account that the cash was received and delivered for processing. Monthly, a supervisor audits the receipt book by reviewing the tax account to verify the payments have been posted.

When checks are received in the Unit(s), they are sent with the processing document to the Revenue Processing division and deposited. Notes are placed on the integrated tax system account showing that a check was received and sent for processing.

We will comply with the Legislative Auditors recommendation to establish written procedures.

Finding 9: Excessive Collection Points

Condition: Our surveys revealed some State Agencies had an excessive amount of collection points. Specifically, we noted 37 agencies or approximately 23% surveyed had five or more collection points. **Note: These collection points include sub-divisions of the agencies.** These agencies and the respective number of collection points are detailed below.

Criteria: Management is responsible for establishing and maintaining effective internal controls.

WV Code §5A-8-9, 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..."

Cause: Some agencies told us they have various offices throughout the State of West Virginia that collect moneys. Some agencies told us they have an office in every county that collect

moneys. Some colleges and universities told us they have various collection points to benefit the students.

Effect: There may not be consistency between collection points for the internal controls over collection and depositing of moneys. Also, multiple collection points make the audit trail more difficult to follow and increases the risk of theft or fraud occurring and going unnoticed by management.

Recommendation: We recommend the State agencies consider centralizing some of its collection points.

Tax Department Response to Finding 9:

The West Virginia State Tax Department is responsible for the fair and efficient administration of West Virginia tax laws and regulations. Through its efforts the State receives in excess of \$4 billion dollars in revenue each year. The Department operates from thirteen offices located throughout the State, with the majority of employees and functions located at the Revenue Center in Charleston.

All of the tax returns and billing notices mailed by the Department instruct the taxpayer to file and/or remit any tax due to a central collection point, which is the Revenue Center in Charleston. In addition, the Department offers a variety of on-line electronic payment options that qualify as a central collection point.

Of the revenue deposited each year, 99 percent is received in the Revenue Center's cashier office, and is deposited within 24 hours. The remaining 1 percent is received by revenue agents or taxpayer service representatives in the Department's field offices. As stated in the response to Finding 1, each office is staffed with revenue agents who are charged with the responsibility of utilizing all appropriate enforcement measures under the WV Code to facilitate the collection of delinquent taxes due the State. Most revenue agents of the Division are assigned a specific geographic territory in which to perform his or her duties. Agents spend a significant amount of their time travelling to the locations of tax debtors, successfully collecting delinquent tax revenues.

In the taxable year 2009, approximately \$28 million dollars, was physically received by agents or representatives in our regional offices. In 2010, the total rose to approximately \$38 million dollars. The State could lose significant revenues if regional tax offices were prohibited from operating as collection points.

The Department agrees with the Legislative Auditor that without proper internal controls, there is a greater risk of theft or fraud, and that an audit trail can become difficult to follow. To address these issues, the Department's field offices record receipt of each payment in a stand-alone tracking program. Reports from this system are reviewed each month by management to ensure accuracy. In addition, all cash receipt books are audited annually, the findings documented, and any discrepancies are immediately addressed. The Department also utilizes the rich reporting capabilities of the integrated tax system to monitor employee

activity for unauthorized or criminal use. Recently, the Department has hired an internal auditor to review policies and procedures and to advise the Commissioner regarding any necessary enhancements to its system of internal controls.

Given that 99 percent of all Tax Department revenues are received at a central location, the potential loss of revenue by prohibiting field offices from operating as collection points, and because of our attention to proper internal controls, the Department does not plan to undertake further centralization of its collection points at this time.

TAX COMMISSIONER'S OFFICE
1001 LEE STREET, EAST, P. O. BOX 11771, CHARLESTON, WV 25339-1771
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West Virginia State Treasurer's Office Response

Legislative Auditor's Office Cash Receipts Study
As of September 30, 2010

Finding 1 Moneys Not Deposited within 24 Hours of Receipt

Response: The STO agrees with the recommendation.

Finding 2 Inadequate Physical Safeguards Over Moneys

Response: The STO agrees with the recommendation.

Finding 3 Lack of Receipts or Pre-Numbered Receipts

Response: The STO agrees with the recommendation.

Finding 4 Lack of Segregation of Duties between the Cashier and Accounts Receivable Function

Response: The STO agrees with the recommendation.

Finding 5 Imprest Funds Not Approved by the State Treasurer's Office

Response: The STO generally agrees with the recommendation.

Finding 6 W. Va. Code Does Not Give Authority to Collect Revenues

Response: The STO agrees with the recommendation.

Finding 7 No Reconciliation of Cash Receipts

Response: The STO agrees with the recommendation.

Finding 8 Lack of Official Procedures for Cash Receipts

Response: The STO agrees with the recommendation.

Finding 9 Excessive Collection Points

Response: The STO agrees with the recommendation.



WEST VIRGINIA STATE UNIVERSITY

Office of the President
P.O. Box 399
Institute, West Virginia 25112
(304) 766-3111
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E-mail: carterhw@wvstateu.edu



May 13, 2011

Ms. Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., East
Charleston, WV 25305

JOINT COMMITTEE
MAY 23 2011
POSTAUDIT DIVISION

Dear Ms. Sneed:

Thank you for the opportunity to respond to the findings presented in your special report on cash receipt procedures. We are only responding to the findings in which West Virginia State University is named. We have implemented new cash handling procedures campus-wide which address the issues in your report. These procedures are attached. Overall, we agree with your findings and we will comply with the recommendations.

- **Finding 1 – Money Not Deposited Within 24 Hours of Receipt**

Response: All cash collection points are required to make deposits to the Cashier's Office daily. In turn, the Cashier's Office prepares the deposits for the bank within 24 hours of receipt. Deposits are made to the bank daily.

- **Finding 2 – Inadequate Physical Safeguards Over Money**

Response: The Testing Center and Continuing Education Department are no longer designated as cash collection points.

- **Finding 4 – Lack of Segregation of Duties Between the Cashier and Accounts Receivable Function**

Response: The segregation of duties has been defined for all cash collection points. In areas with inadequate staffing, we have implemented additional management oversight and internal control procedures.

- **Finding 5 – Imprest Funds Not Approved by the State Treasurer's Office**

Response: As noted in your report, we obtained approval from the State Treasurer's Office for the four imprest funds mentioned in this finding after the date of your survey.

- **Finding 8 – Lack of Official Procedures for Cash Receipts**

Response: We have documented and implemented new cash handling procedures. A copy of these procedures are attached.

A Living Laboratory of Human Relations



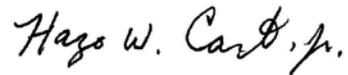
A Land-Grant Institution Established in 1891

- **Finding 9 – Excessive Collection Points**

Response: We reviewed the necessity of our cash collection points and eliminated two areas that accepted cash receipts. The majority of our cash collections are centralized.

Again, we appreciate the opportunity to respond to the findings in your report. If you have any questions or if we can be of assistance, please feel free to contact Mr. Robert Parker, Vice President of Finance, at 304-766-3061 or parkerf@wvstateu.edu.

Thank you,



Hazo W. Carter, Jr.
President



West Virginia University

Office of the Senior Associate Vice President for Finance

May 31, 2011

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
900 Kanawha Blvd., E.
Charleston, WV 25305-0610

Dear Stacy,

Thank you for providing us with the opportunity to review the draft report pertaining to cash receipts procedures. Please accept this letter as West Virginia University's (WVU) response that report.

Please know that WVU takes the stewardship of state assets (such as cash) as a very serious responsibility and makes every effort to ensure our controls are compliant, sound and proactive. For example, WVU finalized comprehensive Funds Handling Standard and Guidelines in the summer of 2010 and distributed it to the university business offices. The purpose of this standard and guidelines was to ensure that each university department had a base-line set of suggested best practices to develop funds handling procedures around that would be specific to their operating unit. This effort was followed up in the fall 2011 when WVU developed and implemented a Funds Handling Training Program.

These ongoing sessions provide training for all employees (and their supervisors) who handle cash, checks, credit card data, ACHs, wires, IGTs and e-commerce activity (regardless of the frequency) and enables WVU to reinforce the use of consistent funds handling procedures across all departments and divisional campuses of WVU. The specific goal of this training program is to educate employees, provide guidance on improving processes and strengthen internal controls related to funds handling. WVU is also in the process of incorporating departmental funds handling information into an institutional funds handling database that will serve as a central repository for funds handling information and will be updated as needed or at least annually. This information includes data on funds handling contacts; key internal control areas, such as training, security, inventory, separation of duties, receipting, depositing, timeliness, reconciliation and monitoring; and information on deposit, credit card, e-commerce and Funds Handling equipment. This database is an important reporting tool that provides funds handling information to departments and management.

We are pleased with both this project and our fraud risk assessment process that your office was available to view during our presentation at the recent higher education CFO conference in Morgantown. With regard to your findings related to we offer the following responses:

Finding 1 - Moneys not deposited within 24 hours of Receipt

Recommendation:

We recommend State agencies comply with W.Va. Code and deposit moneys within 24 hours of receipt.

WVU's Response:

WVU agrees with this recommendation and will continue to educate the university departments and implement compliant processes.

However, in reviewing the original response we discovered that a few departments may have responded inaccurately to this question. We are working with these departments to review their response and procedures to ensure compliance.

Phone: 304-293-4008 | One Waterfront Place
Fax: 304-293-4619 | PO Box 6207
<http://financediv.wvu.edu/> | Morgantown, WV 26506-6207

Equal Opportunity/Affirmative Action Institution

Finding 2 - Inadequate Physical Safeguards over Assets

Recommendation:

We recommend State agencies ensure its moneys are properly secured by storing the moneys under lock and key or another comparable method. We also recommend that State agencies limit access to moneys to as few employees as necessary.

WVU's Response:

WVU agrees with these recommendations and have worked with the two cash collection points identified in the report to properly secure their stored funds. To date, this issue has been solved at one collection point and we are working on a solution to the other.

In reviewing the original response we discovered that a few departments may have responded inaccurately to the portion of the question pertaining to the number of people having access to stored funds. We are working with these departments to review their responses and procedures to ensure compliance.

Finding 3 Lack of Receipts or Pre-numbered Receipts

Recommendation:

We recommend State agencies comply with W.Va. Code and record the collection of moneys for each transaction onto a separate (pre-printed) pre-numbered receipt or some type of daily itemized record. A copy of the pre-numbered receipt should be given to the customer and a copy should be retained by the State agency. The pre-numbered receipts should then be totaled and reconciled to the amount of moneys deposited to ensure all moneys collected were deposited intact. Any difference in the total of the pre-numbered receipts and the amounts of moneys deposited should be reported and properly investigated by management. Also, any missing pre-numbered receipts should be reported and properly investigated by management.

WVU's Response:

WVU makes every effort to be in compliance with the W.Va. State code which states that all State agencies "shall keep a daily itemized record of moneys received" and will continue to do so into the future.

While a pre-printed pre-numbered receipt may not be appropriate or economically/operationally feasible there are other controls that are in place to accomplish this control objective. For example, payments for events and tuition made through either e-commerce or the mail where the customer either receives an event ticket or a payment posted to their individual account. In addition to this confirmation, these payments are logged during the daily receipt function that processes these deposits to the bank.

Finding 4 Lack of Segregation of Duties between the Cashier and Accounts Receivable Function

Recommendation:

We recommend State agencies segregate the authorization, recordkeeping and custody of asset functions to comply with W.Va. Code and to strengthen internal controls. Specifically, the cashiers should not have access to the accounts receivable system. If these duties cannot be segregated, we recommend the agencies ensure there is proper management oversight of the employees responsible for the moneys and ensure there is independent checks of the moneys coming in and the amount of moneys being deposited.

WVU's Response:

We feel that the question (from the original questionnaire) may have been misinterpreted. Upon follow-up to the original response we discovered that WVU Student Affairs Business Office – MountainLair should have responded with 13 not 31. The true points of sale "cashiers" do not have access to the accounts receivable function. Also, upon further review, we feel as if there is proper oversight of the remaining 13 employees. As we continue to accumulate data on

each of the collection points and enter it into our funds handling database we will be have the necessary tool to better analyze, monitor and make recommendations.

However, WVU agrees with this recommendation and are working with departments to either segregate duties or develop a procedure for management oversight of these responsibilities.

Finding 9 Excessive Collection Points

Recommendation:

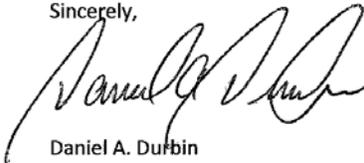
We recommend the State agencies consider centralizing some of its collection points.

WVU's Response:

WVU has defined a collection point as a place where moneys are received (point of sale). Due to the size and complexity of WVU, collections points are located in the units; small and large in order to meet our customer needs and ensure security. In addition, some of these locations are "seasonal" thus leading to a higher count. For example, a department may collect registration for a workshop or summer camp that is conducted annually. This could be the only activity that involves cash. WVU does agree that we should determine if some of the small/department collection points (such as the one just mentioned) could be merged into a larger collection point. As we accumulate data on each of the collection points and make this assessment.

In closing, WVU appreciates the importance of sound cash receipt policy and procedures because they enable us to comply with W.V. Code, protect our employees and safeguard our assets. Again, thank you for the opportunity to respond to the report prior to its release. Please let me know if you should have any questions regarding this response.

Sincerely,



Daniel A. Durbin
Senior Associate Vice President for Finance

cc: Jay Cole
Narvel G. Weese Jr.
Lisa A. Lively
William Quigley



WEST VIRGINIA SCHOOL
OF OSTEOPATHIC MEDICINE



May 16, 2011

Ms. Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.
Charleston, West Virginia 25305-0610

Dear Ms. Sneed:

Thank you for sharing the results of the Cash Receipts Study and providing us an opportunity to respond to the findings of the report.

The West Virginia School of Osteopathic Medicine was mentioned in Finding No. 4 relating to the "Lack of segregation of duties between the cashier and accounts receivable function". As we have mentioned, due to the size of the institution, there is limited administrative staff. The accounts receivable and cashiering functions are handled within the same office by two staff. Because of budgetary concerns, adding staff is not an option at this time.

Since we cannot segregate these duties, our existing management procedures will be reviewed and augmented to strengthen internal controls where possible.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Ware".

Larry J. Ware, CPA, MBA
Vice President for Finance and Facilities

Cc: Dr. Michael Adelman, President
Barbara Bragg, Controller

CASH RECEIPTS SURVEY FINDINGS –

WVU AT PARKERSBURG

AREAS OF REPORTABLE COMPLIANCE

1. Three of WVU at Parkersburg's collection points "did not use pre-numbered receipts."
2. There is a lack of segregation of duties between the Cashier and Accounts Receivable function.

WVUP RESPONSE

1. WVU at Parkersburg's Jackson County Center has begun using pre-numbered receipts. These receipts attach to the back of a printed tuition bill, and the receipt books kept on campus to serve as an audit trail. The other two collection points will explore using other pre-numbering systems to receive cash.
2. At the present time, the number of Business Office staff WVU at Parkersburg is very small and it is difficult to achieve the ideal segregation of duties in all accounting areas. The College is expecting to begin using Banner Finance soon and new positions are expected to be added. One of the new positions (Banner Finance Specialist and/or a Financial Reporting Specialist) will be given the account receivables function.



David Hendrickson
Chair

Brian Noland
Chancellor

West Virginia Higher Education Policy Commission
West Virginia Community and Technical College System
1018 Kanawha Boulevard East, Suite 700
Charleston, WV 25301
(304) 558-2101



Robert Brown
Chair

James Skidmore
Chancellor

Stacy Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.
Charleston, WV 25305-0610

Dear Ms. Sneed,

This is in response to your letter dated May 4, 2011 regarding the survey on cash receipts procedures. The Higher Education Policy Commission recognizes the necessity and benefits of timely cash receipt deposits and compliance with adequate internal controls for the safeguard and accounting of cash. Institutions will be instructed to deposit cash within 24 hours of receipt, provide adequate physical safeguards over money received, provide receipts, segregate duties and obtain proper approval for imprest funds. It may not be possible to maintain only five cash collection points at some institutions with multiple sources of revenue such as bookstores, dining services, parking, student social and cultural events, and intercollegiate athletics; however, institutions will minimize the number of collection points as circumstances permit. The Commission will use the report to provide accounting training at future meetings of the institutions' fiscal officers.

Sincerely,

Ed Magee
Senior Director of Finance



WEST VIRGINIA
DEPARTMENT OF TRANSPORTATION
1900 Kanawha Boulevard East • Building Five • Room 109
Charleston, West Virginia 25305-0440 • (304) 558-0444

May 26, 2011

MEMORANDUM

TO: Elizabeth Kingsley
Legislative Auditor's Office
Post Audit Division

FROM: Keith E. Chapman 
DOT Business Manager

SUBJECT: Cash Receipts- Response to Preliminary Draft Report

The DOT Secretary and I are in receipt and have reviewed the subject report findings as self-reported by the numerous Division of Highways Offices and Department of Transportation agencies. I have discussed the report with our Finance & Administration Division, and a memorandum was prepared and transmitted to the Division of Highways organizations as well as the affected DOT agencies.

This memorandum discussed the agency findings associated with the West Virginia Code requirement of depositing all monies received within 24 hours and the finding associated with the failure to maintain receipts/pre-numbered receipts for monies received by agency offices. We have instructed our agency staff that immediate corrective action must be implemented for agency compliance with both issues.

It is my intent that each of our offices which responded to the survey with an unacceptable response will be contacted in the immediate future regarding these issues. I have instructed the Finance & Administration Division to handle those contacts, as well as a review of existing agency procedures and internal controls for receipting, handling and reconciliation of monies. During these contacts, we will also discuss the issue of the Division of Highways and Motor Vehicles having excessive number of collection points. We do not disagree that having multiple collection points further complicates the issues associated with receiving monies; however, in our DOT agencies, much of this issue is customer service driven.

Thank you for the opportunity to provide to provide a formal response from the Department of Transportation regarding the issues related to receipting and handling monies.

E.E.O./AFFIRMATIVE ACTION EMPLOYER



State of West Virginia
DEPARTMENT OF AGRICULTURE
Gus R. Douglass, Commissioner

Janet L. Fisher
Deputy Commissioner

Bob Tabb
Deputy Commissioner

Steve Miller
Assistant Commissioner

May 13, 2011

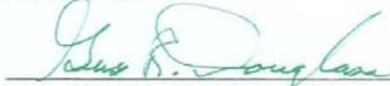
Ms. Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.
Charleston, WV 25305-0610

Dear Ms. Sneed:

The Department of Agriculture (WVDA) has reviewed the special report of cash receipts policies and procedures prepared by the Legislative Post Audit Division and, submits the following response to be included in the report to the Post Audit Subcommittee.

Finding 1: Moneys Not Deposited within 24 Hours of Receipt ... As stated in our response to the survey, any cash or cash equivalents that cannot be deposited with the State Treasurer within twenty-four hours in accordance with W. Va. Code §12-2-2 is secured in a fire-proof vault and/or a locked box in a locked cabinet with very limited access. Two staff members at a time are required for access to these items and a written, initialed log of access is maintained. WVDA also has controls in place to segregate duties for receipt, logging and making the deposits to further secure the assets.

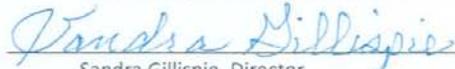
The preceding represents the information the Department of Agriculture wishes to highlight regarding the issue in question.


Gus R. Douglass, Commissioner


Janet Fisher, Deputy Commissioner


Bob Tabb, Deputy Commissioner


Steve Miller, Assistant Commissioner


Sandra Gillispie, Director

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"The Basis of All Wealth is Agriculture"



Office of VP for Administrative & Fiscal Affairs

1201 Locust Avenue
Fairmont, West Virginia 26554
Phone: (304)367-4111
Fax: (304)367-4706
Email: eporto@fairmontstate.edu

To: Stacy Sneed

Director of the Legislative Auditor's Office

From: Rick Porto 

Vice President for Administrative and Fiscal Affairs—Fairmont State University

Re: Response to Findings and Recommendations from Cash Handling Survey

Date: October 3, 2011

Below please find our response to Finding # 5 and Informational Item # 1, which involves our agencies at Fairmont State University.

Finding # 5—Collection points that allowed 10 or more employees to have access to secured moneys. This finding is part of a larger finding that indicates that 19 agencies did not properly secure money held for deposit.

Note: FSU Student Activity Center Control Desk (which is run by student employees) was included in this finding and recommendation.

Recommendation for second part of # 5—we recommend all State agencies limit access to secured moneys to as few employees as necessary.

FSU Response—We recommend that the Legislative Auditor consider breaking this Finding into two findings and consider changing the second part of this finding into a informational item—since we do not feel this that having 10 or more employees to have access to secured moneys when proper controls and reviews are in place should be considered a weakness.

Our Activity Center Control Desk is run by our students by plan. The Control Desk collects at an average \$ 1,065.00 daily and is deposited the next day. The deposits are prepared by a full time employee that supervises the students involved in this operation. The Control Desk is operated from 6 AM to 10 PM during the week and operated on the weekends from 11 AM until 6 PM. Students are only allowed to work an average of 20 hours per week and this is the reason for having more than 10 student employees involved in this enterprise. We consider this enterprise a training ground for students who have an interest in future job opportunities in higher education and those opportunities in student activities and

sports management. This control desk operation was designed to include students from the day we opened this facility in January 2005.

Again, we do not feel having 10 or more employees who have access to secured funds a problem if proper controls are in place and supervision is appropriate and hours involved in the operation require many shifts to be required. We do agree that we should limit access to secured moneys to as few employees as necessary and we feel we do this in this area based on the explanation above.

Informational Item # 1:

Finding: Our study revealed that 30 agencies, or 19 % of survey respondents, had more than five collection points.

Recommendation: Agencies with more than five collection points consider feasibility of centralizing some collections in order to reduce the risk that moneys may be lost or stolen.

FSU Response: We agree that we should look at consolidation and we continue to do so. We have over the years brought many collection points into our central student accounts receivable processing environment where point of sale is not required. We have brought parking fines, library fines, and commuter meal plan assessments into our centralized student A/R system. We also automatically assess students for printing based on systems passing charges for printing to the centralized A/R system. We continue to look for ways to bring more to this system since it centralizes all payments and through a very controlled processing environment tied into on-line payments processing via check and or e-payments that flow thru the State of WV Treasury.

However, there are many collection points that have to be dealt with as point of sale operations. Examples of this are:

Fine Arts ticket sales to the public, Athletic ticket sales to the public, Library book rentals and fines for same to the public, ala-carte food sales in our dining hall and sales of snacks and in our snack bar, and coffee bar venues.

The larger the organization and the number of point of sale venues require a number of collection points that go well beyond five indicated in this recommendation. We do not believe the numbers of collection points are as much of an issue, than the controls that are in place at those collection points. We feel collection points need to be where point of sale is needed.

This concludes our response to those findings that involve FSU.

**CASH RECEIPTS STUDY
AS OF SEPTEMBER 30, 2010**

**APPENDIX B
CASH RECEIPTS SURVEY**

**LEGISLATIVE POST AUDIT DIVISION
SURVEY
Cash Receipts**

NAME OF SPENDING UNIT _____
CONTACT PERSON _____
TELEPHONE NUMBER _____
EMAIL ADDRESS _____

**See Appendix A for definitions*

For each cash collection point, please answer the following questions:

Part I – General Cash Handling & Deposits

1. How many cash collection points does the spending unit manage? *Appendix A-a*

2. Approximately, how many people have the authority to receive cash at each collection point?

3. Who authorizes employees at each collection point to handle cash? Please give name and job title.

4. How is cash stored when received at each collection point? (Vault, Lock & Key, Special Drawer in Office, etc.)

5. How many people have access to stored cash at each collection point? (Know the combination, have a key, etc.)

6. How much time elapses before stored cash is deposited in a bank? (One week, three days, 24 hours, etc.)

Part II – Code & Imprest Funds

1. For what purpose does the spending unit receive money? (Fees, Registration, Licensing, Permits, etc.)

2. If applicable, what WV Code section gives the spending unit the authority to collect monies for the purposes mentioned above?

3. Does the spending unit operate any imprest funds? *Appendix A-b* Yes____ No____

- If yes, how many? _____
- If yes, how are imprest funds managed? (Fixed amounts by a single employee, or flexible amounts by several employees, etc.)

- If yes, are imprest funds periodically checked by a supervisor?
Yes____ No____
- If yes, are imprest funds on record with the State Treasurer’s Office?
Yes____ No____

Part III – Policies & Procedures

1. Once cash is collected, is it documented in written form? Yes____ No____
- If yes, how and when is cash documented? (Weekly or daily totals, itemized lists, etc.)

2. Is a receipt given to the individual who remitted the cash? Yes____ No____
- a. If so, are the receipts pre-numbered? Yes____ No____

3. Does the employee who receives cash for deposit also document it? Yes____
No____

- If yes, what other duties or responsibilities does that employee have? (Making the deposit or posting the payments)

4. Does the spending unit have an accounts receivable department? Yes_____ No_____
 - a. If so, does the cashier have access to the accounts receivable system?
Yes_____ No_____

5. Please describe the reconciliation process between cash received and cash deposited.

6. Please send us a copy of your spending unit's cash receipts procedures.

Appendix A

- a) Cash– For the entire survey, the word cash not only refers to U.S. currency and coin, but also to cash equivalents such as checks, money orders, cashier’s checks, etc.
- b) Imprest Fund–An imprest fund is also commonly referred to as petty-cash. All monies held and stored specifically for the use of small purchases, change for the public, etc., are considered monies belonging to an imprest fund.

Comments or Additional Information

Please submit the completed questionnaire by mail, email, or fax as follows,

by 4:30 p.m., Friday, August 20, 2010:

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., East
Charleston, WV 25305-0610

Fax: (304) 347-4889

Elizabeth.Kinsey@wvlegislature.gov

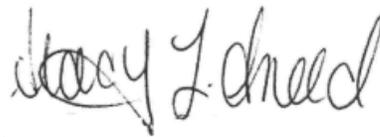
If you have any questions, please contact Lori Elliott, CPA, Auditor III, or Elizabeth Kinsey, Auditor I, at (304) 347-4880. Thank you for your assistance in this matter.

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, CICA, 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 12th day of October 2011.



Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division

Notification of when the report was released and the location of the report on our website was sent to the Secretary of the Department of Administration to be filed as a public record. Report release notifications were also sent to the Governor; Attorney General; State Auditor; State Treasurer and the various agencies listed on pages two through five of this report.