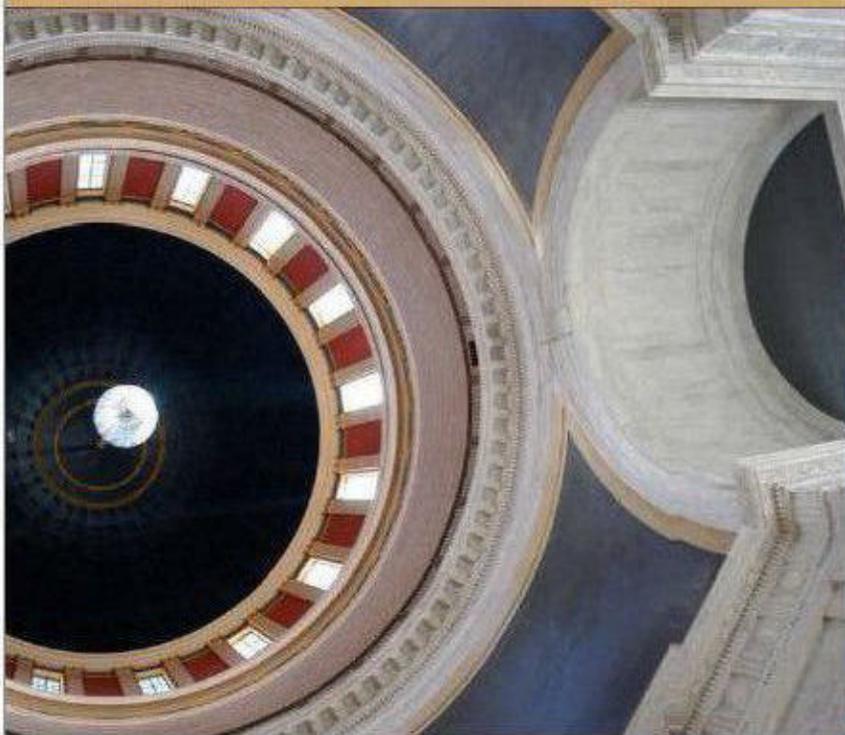


# LEGISLATIVE POST AUDIT REPORT WEST VIRGINIA CONSERVATION AGENCY

FOR THE PERIOD JULY 1, 2009 - JUNE 30, 2010

## AUDIT OVERVIEW

- Lack of oversight of Conservation District Programs
- Operating a nonprofit with State funds without authority
- Improper expenditures- WVU Extension Services barns



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

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The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we conducted a post audit of the West Virginia Conservation Agency (WVCA) for the period July 1, 2009 through June 30, 2010.

We have conducted our audit in accordance with Generally Accepted Government Auditing Standards except for the organizational independence impairment discussed in the Objectives and Methodologies section. Our audit disclosed certain findings which are detailed in this report. Findings deemed inconsequential to the financial operations of the agency were discussed with management. West Virginia Conservation Agency management has responded to the audit findings; we have included the responses at the end of the report.

Respectfully submitted,

A handwritten signature in black ink that reads "Stacy L. Sneed".

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

SLS/jjs

**WEST VIRGINIA CONSERVATION AGENCY**  
**JULY 1, 2009 – JUNE 30, 2010**

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**WEST VIRGINIA CONSERVATION AGENCY**  
**JULY 1, 2009 – JUNE 30, 2010**

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**EXECUTIVE SUMMARY**

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**Finding 1**                      **Lack of Oversight of Conservation District Programs**

We noted instances in which the West Virginia Conservation Agency (WVCA) failed to properly oversee the efforts of the conservation districts in the performance of the Stream Protection and Restoration Program (SPRP), Emergency Watershed Protection Program (EWP), Lime Program (Lime) and Operation & Maintenance (O&M) of dams.

**Auditor's Recommendation**

We recommend the WVCA comply with WV Code §19-21A-4(g)(1), §19-21A-4(g)(3) and §5A-8-9, the WV lime incentive program packet, conservation district lime incentive contract, conservation district lime incentive tonnage approval letter, West Virginia Purchasing Handbook 3.2 and 6.3, and WVCA O&M procedures by properly overseeing and assisting the Conservation Districts to ensure their programs run efficiently.

**Spending Unit's Response**

The WVCA agrees with the finding. See Appendix A page 64.

**Finding 2**                      **Operating a Nonprofit with State Funds without Authority**

Members of the State Conservation Committee (SCC) formed and operated the West Virginia Conservation Awards Council Incorporated (WVCAC), a nonprofit organization, with State funds provided by the WVCA.

**Auditor's Recommendation**

We recommend a financial audit of the WVCAC, and the return of all funds to the State. We recommend the dissolution of the WVCAC. We also recommend the WVCA hold the annual conference themselves and follow the proper purchasing procedures.

**Spending Unit's Response**

The WVCA disagrees with this finding. See Appendix A page 66.

**Finding 3**                      **Improper Expenditures – WVU Extension Services Barns**

The WVCA expended State funds (\$1,897,320) to build two barns for WVU Extension Services which do not meet the mission of the agency.

**Auditor's Recommendation**

We recommend the WVCA comply with WV Code §19-21-A-4(6), §19-21A-3(13), §19-21A-8(13) and the mission listed on the agency website by developing policies and procedures to ensure the agency is expending appropriated funds in a manner which meets the mission of the agency.

**Spending Unit's Response**

The WVCA agrees with this response. See Appendix A page 66.

**Finding 4**

**Non-Compliance with WV Code – District Audits**

The WVCA failed to comply with WV Code by not obtaining an annual audit of the districts. The agency contracts for agreed upon procedure engagements.

**Auditor's Recommendation**

If the agency continues to use the agreed upon procedure engagements we recommend they seek a change to WV code defining an acceptable form of an audit.

We also recommend the Legislature change WV Code §4-2-5 to include political subdivisions in order to grant us the authority to audit political subdivisions of the State.

**Spending Unit's Response**

The WVCA disagrees with this finding. See Appendix A page 67.

**Finding 5**

**Prior Approval of Overtime**

We noted instances of an employee receiving payment (\$10,733) for working overtime without prior approval of supervisors.

**Auditor's Recommendation**

We recommend the WVCA comply with WVDA Policies & Procedures Manual Sections 7.16, 7.17 and 7.18 and require all employees receive prior approval by their immediate supervisor, all supervisors receive approval by the Executive Director, and disciplinary action if an employee fails to do so. We also recommend the WVCA have procedures for overtime during emergency situations in accordance with WVDA policy.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 68.  
The WVDA response has been included in Appendix B page 74.

**Finding 6****Non-Compliance with Agreement**

We noted instances in which the WVCA was not complying with agreements in place to receive the benefits of employees shared with WVU Extension Services.

**Auditor's Recommendation**

We recommend the WVCA comply with the terms of Agreement 1162 by providing payment for the agreements subsequent to all documentation being received for the engineer. We also recommend the WVCA provide detail in all agreements as to what information should be sent with the invoice (time sheet, travel form, etc.).

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 68.

**Finding 7****Not Properly Accounted for Assets**

We noted instances (\$45,450) in which the assets were not entered into the fixed asset system, entered multiple times, or were entered incorrectly. We also noted an instance (\$1,963) in which a WVCA employee signed a receiving report for a shipment of routers later discovered by Cisco to have been activated and registered on the west coast of the United States.

**Auditor's Recommendation**

We recommend the WVCA comply with WVFIMS Fixed Asset Training Manual section 3.6, 3.12, and 3.6.1.2 and the WV Purchasing Division's Purchasing Handbook Section 6.3 by correctly entering all assets into the WVFIMS fixed asset system and verify all purchases received match the purchase order and packing slip. We also recommend the WVCA ensure assets are entered only once into the fixed asset system.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 69.  
The WVDA response has been included in Appendix B page 74.

**Finding 8****Missing Inventory and Asset Tags**

We noted instances (\$221,445) in which we were unable to locate inventory in the field, inventory in the field was not listed on the Fixed Asset System, and inventory items were not affixed with state property identification tags.

**Auditor's Recommendation**

We recommend the WVCA comply with Sections 3.11, 3.3, and 3.6.1 of the WVFIMS Fixed Asset Training Manual and develop procedures ensuring all assets are properly labeled with the proper state issued identification tags before being placed in the field for use. We also recommend the WVCA ensure all assets are properly secured and place state identification tags on assets as they are received to ensure assets can be located.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 69.  
The WVDA response has been included in Appendix B page 75.

**Finding 9**

**Stringing P-card Purchases**

We noted an instance (\$2,738) where the WVCA was stringing purchases together to circumvent the P-card purchasing limit.

**Auditor's Recommendation**

We recommend the WVCA comply with WVSAO P-card Policies and Procedures Section 6.2 by ensuring P-card transactions are not manipulated to circumvent the \$2,500 transaction limit. We recommend the WVCA use a method allowing each form to be tracked by the Fiscal Services Manager, such as pre-numbered forms. We also recommend the WVCA comply with WV Purchasing Handbook 3.2, and receive bids when required.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 70.  
The WVDA response has been included in Appendix B page 75.

**Finding 10**

**Inadequate Segregation of Duties**

During our audit period, the WVCA Assistant Fiscal Services Manager made P-card purchases, received the items, reconciled her own individual statement, entered the transaction information into STARS, and entered items into the WVCA inventory system. This individual also entered all items not relating to the Information Technology (IT) department into the inventory system.

**Auditor's Recommendation**

We recommend the WVCA comply with WVSAO P-card Policies and Procedures 2.4.1 by segregating the P-card responsibilities. An individual cannot reconcile his or her own purchases according to the Policies and Procedures. We recommend the WVCA also segregate the duties further by not allowing the Assistant Fiscal Services Manager to purchase, receive, and enter items into the P-card system and the inventory system. We recommend the WVCA use a method allowing each form to be tracked by the Fiscal Services Manager, such

as pre-numbered forms. We also recommend the WVCA comply with their policy of having all purchases fiscally approved prior to the purchase being initiated. This policy ensures unnecessary or duplicate items are not purchased.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 70.

**Finding 11**

**Lack of Approval**

We noted instances in which the WVCA did not have proper approval for purchases.

**Auditor's Recommendation**

We recommend the WVCA comply with WVSAO P-card Policies and Procedures Section 2.4.1, WVCA P-card Procedures, West Virginia Purchasing Division Purchasing Handbook 6.1.2 and 4.7.1.5, WVCA LOR Procedures and the WVDA Travel Policy and Procedures Chapter 20.12 by ensuring all purchases are reviewed and signature approval is secured prior to the transactions taking place or by changing the policy to accurately reflect the current process. We also recommend the WVCA use a method allowing each form to be tracked by the Fiscal Services Manager, such as pre-numbered forms. We also recommend the WVDA and WVCA change their policy if the WVDA Commissioner can verbally approve out-of-state travel for certain employees.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 70.  
The WVDA response has been included in Appendix B page 75.

**Finding 12**

**Incorrect Retirement Pay**

We noted an instance where a retiring employee was overpaid a total of \$584 for gross retirement pay.

**Auditor's Recommendation**

We recommend the WVCA comply with WV Division of Personnel Annual Increment Policy as described above. We also recommend the prompt removal of employees from payroll upon exhaustion of their leave balance.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 71.  
The WVDA response has been included in Appendix B page 75.

**Finding 13**

**Internal Control Weakness**

We noted a lack of internal controls regarding the credit cards used for the purchase of fuel. The agency was using multiple brands of cards with differing internal controls.

**Auditor's Recommendation**

We recommend the WVCA properly monitor the fuel card usage by calculating mpg for employees' fuel card usage. We also recommend the WVCA discontinue use of the Exxon fuel card to allow the vehicle coordinator to effectively monitor employees' fuel card usage.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 71.

**Finding 14**

**Failure to use Statewide Contracts**

We noted multiple instances (\$18,255) in which the agency failed to utilize a statewide contract for items purchased.

**Auditor's Recommendation**

We recommend the WVCA comply with WVSAO P-card Policies and Procedures Section 6.1, WV Purchasing Division's Purchasing Handbook Section 4.6.2.1, and the January 11, 2008 memorandum and utilize statewide contracts.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 71.  
The WVDA response has been included in Appendix B page 76.

**Finding 15**

**Failure to Withhold Tax from Per Diem Payments**

We noted multiple instances (\$1,939) in which the conservation district supervisors received per diem payments which did not have any taxes withheld. We are 95% confident, if our sample holds true to the entire population, 283 to 553 transactions, or 27.90% to 54.53%, would have been reimbursed the improper amount.

**Auditor's Recommendation**

We recommend the WVCA comply with U.S. Code Title 26 Subtitle C Chapter 24 Section 3401 as stated above and withhold the correct amount of all applicable taxes.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 71.  
The WVDA response has been included in Appendix B page 76.

**Finding 16**

**Lack of Documentation**

We noted instances in which the WVCA did not have proper audit documentation. The lack of documentation included sick leave, annual leave, reimbursements and miscellaneous expenditures.

**Auditor's Recommendation**

We recommend the WVCA comply with WV Code §5A-8-9 (a) and (b), and §12-2-2 (a). We recommend the WVCA comply with WVDA Policies and Procedures Section 8.1e, and 8.2.g ; Agreement 1071 and the WVCA mail procedures. We recommend the WVCA maintain adequate records as required, and the use of the WVDA TimeTrex online leave system.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 71.  
The WVDA response has been included in Appendix B page 76.

**Finding 17**

**Receipts Not Deposited within 24 hours**

We noted multiple instances (\$162,946) in which the WVCA failed to deposit monies within 24 hours of receipt.

**Auditor's Recommendation**

We recommend the WVCA comply with WV Code §12-2-2 and deposit all checks and/or cash within 24 hours of receipt.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 72.  
The WVDA response has been included in Appendix B page 76.

**Finding 18**

**Misclassified Expenditures**

We noted multiple instances (\$222,828) where the WVCA failed to classify expenditures into the correct object code. These occurrences related to grants, assets, P-card, repairs and alterations, and travel expenditures.

**Auditor's Recommendation**

We recommend the WVCA and WVDA comply with West Virginia Expenditure Schedule Object Instructions and the WVDA Extended Object Code Descriptions by placing each transaction in the correct object code. We also recommend the WVCA and WVDA ensure all staff involved in coding transactions are familiar with the aforementioned criteria.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 72.  
The WVDA response has been included in Appendix B page 77.

**Finding 19**

**Amounts not in Compliance with Travel Regulations**

During the test of travel related expenditures, we noted the WVCA reimbursed WVCA employees the incorrect amount (\$2,378) for travel.

**Auditor's Recommendation**

We recommend the WVCA comply with WVDA Travel Policy and Procedures Chapter 20.1 and Chapter 20.6c as stated above by requiring a daily location list which includes a stop-by-stop report from any individual with a mileage reimbursement claim. We also recommend the WVCA compare quoted distance to distance claimed for reasonableness and verify all mileage claims before reimbursement.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 72.  
The WVDA response has been included in Appendix B page 77.

**Finding 20**

**Incorrect Reimbursement on a Stream Restoration Project**

We noted an instance (\$4,931) in which the WVCA received a reimbursement in excess of the contracted amount.

**Auditor's Recommendation**

We recommend the WVCA comply with the requirements set forth in Agreement 1169-00. We also recommend the WVCA implement policies and procedures to more effectively allocate travel expenses to specific jobs when there is a contract in place for reimbursement of expenses or any other type of cost sharing agreement.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 72.

**Finding 21**

**Travel Forms Not Sent Timely to the WVDA**

The WVCA does not forward the Travel Expense Settlement Forms for processing by the WVDA within the required time.

**Auditor's Recommendation**

We recommend the WVCA comply with WVDA Travel Policy and Procedures Chapter 20.6c as stated above and implement procedures to ensure the processing of all Travel Expense Settlement Forms within the allotted five business days. We also recommend Travel Expense Settlement Forms for conservation district supervisors are photocopied, stamped as copy, and noted not for processing, with the original processed within the 5 days and the copy sent with the corresponding per diem report to the WVDA.

**Spending Unit's Response**

The WVCA agrees with this finding. See Appendix A page 72.

**WEST VIRGINIA CONSERVATION AGENCY**  
**JULY 1, 2009 – JUNE 30, 2010**

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**INTRODUCTION**

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**POST AUDIT AUTHORITY**

This is the report on the post audit of the West Virginia Conservation Agency (WVCA). This audit was conducted pursuant to Chapter 4, Article 2, as amended, of the West Virginia Code, which requires the Legislative Auditor to “make post audits of the revenues and funds 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.”

**BACKGROUND<sup>1</sup>**

West Virginia’s Soil Conservation Committee was created in 1939. Its functions and programs were to conserve soil and retard erosion. By referendum, the first conservation district was organized in 1940. Today, West Virginia has 14 Conservation Districts, each consisting of one to six counties. As of June 30, 2010, the Conservation Districts maintained funds totaling approximately \$32 million. For further information on the breakdown of those funds, see **Appendix C**.

In 2002, the Legislature changed the name of the “Soil Conservation Committee” to “State Conservation Committee” to show the committee’s responsibilities went beyond soil to all natural resources such as air and water. The State Conservation Committee (SCC) serves as the governing body of the WVCA.

The mission of the WVCA is to preserve West Virginia’s natural resources by working with partners to promote soil and water conservation. To work toward this goal the WVCA has multiple programs to assist the citizens of West Virginia including the lime incentive program, agriculture enhancement program, emergency watershed protection, and landowner stream access permit program.

The WVCA is responsible for the inspection, operation, and maintenance of 170 watershed dams and 22 channels throughout West Virginia. The WVCA is also responsible for the rehabilitation of the state’s aging watershed dams.

The WVCA’s headquarters is in Guthrie WV and maintains field offices in Oak Hill, Morgantown and Romney. There is a district headquarters located in each of the 14 districts. The WVCA employs approximately 85 individuals.

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<sup>1</sup> Background information obtained from the WVCA website as of July 27, 2012 and from Appendix C.

**WEST VIRGINIA CONSERVATION AGENCY  
JULY 1, 2009 – JUNE 30, 2010**

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**SPENDING UNIT CONTACTS**

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**West Virginia Conservation Agency**

Brian Farkas ..... Executive Director (July 2011 – Present)  
Truman Wolfe ..... Executive Director (October 2002 – December 2010)  
Russ Campbell ..... Acting Executive Director (January 2011 – July 2011)  
Carolyn Hefner ..... Operations Division Director  
Chris Casto ..... Assistant Division Director for Fiscal Operations  
Angela Tackett ..... Fiscal Services Manager I  
Norma Barbier ..... District Fiscal Services Manager

**West Virginia Department of Agriculture**

Gus Douglass ..... Commissioner of Agriculture  
Sandra Gillispie ..... Director – Administrative Services Division  
Benda Mobley ..... Personnel Manager – Executive Division  
Stephanie Sizemore ..... Assistant Personnel Manager – Executive Division

**WEST VIRGINIA CONSERVATION AGENCY  
JULY 1, 2009 – JUNE 30, 2010**

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**AUDIT SCOPE**

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We have audited the WVCA funds for the period July 1, 2009 through June 30, 2010. Our audit scope included an audit of internal control and compliance with the West Virginia Code, applicable State rules, and internal WVCA and WVDA policies applicable for fiscal year 2010. Our scope was limited by the inability to perform testing procedures on the 14 political subdivisions the WVCA supports. We conducted this post audit, which is a performance audit, in accordance with the standards applicable to performance audits contained in Generally Accepted Government Auditing Standards (GAGAS), except for the organizational independence impairment described in the section below.

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**OBJECTIVES AND METHODOLOGIES**

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The objectives of our post audit were to audit WVCA's revenues and expenditures; to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by the WVCA which we find; to ascertain facts, and to make recommendations to the Legislature concerning audit findings, the revenues and expenditures of the state and of the organization, and functions of the state and its spending units. This audit was undertaken at the request of Gus Douglass, Commissioner of Agriculture and SCC Chairman. We were to determine whether expenditure and revenue transactions were related to the WVCA's programs, were reasonable, and were recorded properly in the accounting systems. Additionally, we were to examine the WVCA's records and internal controls over transactions and to evaluate its compliance with applicable State laws, rules and regulations.

Except for the organizational impairment described in the following paragraph, we conducted this post audit, which is a performance audit, in accordance with the standards applicable to performance audits contained in GAGAS. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about the WVCA's compliance with those requirements referred to above and performing such other procedures, as we considered necessary in the circumstances. Our audit does not provide a legal determination of the WVCA's compliance with those requirements.

In accordance with W. Va. Code §4-2, the Post Audit Division is required to conduct post audits of the revenues and expenditures of the spending units of the state government. The Post Audit Division is organized under the Legislative Branch of the State and our audits are reported to the Legislative Post Audits Subcommittee. Therefore, the Division has historically been organizationally independent when audits are performed on an agency, board, or program of the Executive Branch of the State. However, this organizational independence was impaired when the President of the Senate became acting Governor of the State on November 15, 2010, in accordance with W.Va. Code §3-10-2. Audits completed or conducted after this date, but before November 13, 2011, will not comply with GAGAS sections 3.12 – 3.15. These sections of the auditing standards assert the ability of an audit organization to perform work and report the results objectively can be affected by placement within the governmental organizational structure. Since the President of the Senate was acting Governor, the Executive Branch had the ability to

influence the initiation, scope, timing, and completion of any audit. The Executive Branch could also obstruct audit reporting, including the findings and conclusions or the manner, means, or timing of the audit organization's reports.

To achieve our audit objectives, we studied legislation, applicable WV Code sections, applicable rules and regulations, current contracts and policies of the WVCA and WVDA. Provisions we considered significant were documented and compliance with those requirements was verified by interview, questionnaires, observations of the WVCA's operations, and through inspections of documents and records. We obtained the financial information recorded in WVFIMS via Crystal reports. We also obtained the financial information in the Sage and Quickbooks accounting systems of the WVCA for the audit period. We tested transactions and performed other auditing procedures using spreadsheets, letters, memos, timesheets, receipts, and invoices we considered necessary to achieve our objectives. Additionally, we reviewed the budget, studied financial trends, and interviewed WVCA personnel to obtain an understanding of the programs and the internal controls respective to the scope of the audit. In planning and conducting our post audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk.

To select transactions for testing, a statistical and non-statistical sampling approach was used. Our samples of transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. Transactions were either randomly selected for testing or by using professional judgment to yield a more representative sample. Professional judgment was used in selecting transactions with the highest dollar amounts due to the increased risk of loss to the state for those types of transactions. Projections are only applicable to those samples chosen statistically. Where projections would provide relevant information they have been included in this report.

The WVCA's written response to the findings and recommendations identified in our audit have not been subject to the auditing procedures applied in the audit of the WVCA, and accordingly, we express no opinion.

WVCA'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 conditions may change or compliance with policies and procedures may deteriorate.

We did not disclose any identifying information concerning employees or vendors within this report in an effort to protect the privacy and interests of all parties. This lack of disclosure is not significant to the understanding of this report and should have no impact on the usefulness of the information provided. All information pertinent to the report has been disclosed.

This communication is intended solely for the information and use of the Post Audits Subcommittee, the members of the WV Legislature, and management of the WVCA. However, once presented to the Post Audits Subcommittee, this report is a matter of public record and its distribution is not limited. Our reports are designed to assist the Post Audits 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 which are functioning properly.

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## CONCLUSIONS

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The WVCA generally had inadequate internal controls and documented processes governing its activities. The WVCA had control weaknesses and non compliance in areas of high risk for management oversight including unauthorized overtime, asset and inventory management, and a lack of oversight for district expenses. This report includes findings regarding significant instances of non-compliance with the West Virginia Code, WWSAO P-card Policies and Procedures, applicable State rules, and internal WVCA and WVDA policies relevant for fiscal year 2010. Non-compliance with the aforementioned related to payroll, sick and annual leave, inventory, per diem, and travel.

The WVCA failed to perform management oversight pertaining to the SPRP, the EWP, and the Lime Program. The WVCA also had several equipment items without a tag number and not in the location noted in the inventory listing. The WVCA failed to follow policy regarding disposal of equipment.

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## EXIT CONFERENCE

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We discussed this report with management of the WVCA on August 3, 2012. All findings and recommendations were reviewed and discussed with representatives from the WVCA and WVDA. Representatives of the agencies received a written copy of findings deemed inconsequential to the financial operations of the agency, and were not included in this report. Management's responses have been included in **Appendices A and B** at the end of this report.

**WEST VIRGINIA CONSERVATION AGENCY  
JULY 1, 2009 – JUNE 30, 2010**

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**FUND LISTING**

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We have completed a post audit of the WVCA. The examination covers the period of July 1, 2009 through June 30, 2010.

**GENERAL REVENUE ACCOUNTS**

WVCA maintained the following account:

<b><u>Fund Number</u></b>	<b><u>Fund Name</u></b>
0132.....	General Fund

**SPECIAL REVENUE ACCOUNTS**

WVCA maintained the following special revenue accounts. These accounts represent funds from specific activities as required by law or administrative regulations. These funds were deposited with the State Treasurer in the following special revenue accounts:

<b><u>Fund Number</u></b>	<b><u>Fund Name</u></b>
1410 .....	Soil Conservation Operating Fund
1411 .....	Soil Conservation Small Watershed Program Fund
1461.....	Hurricane September 2004 DR1558
1462.....	Stream Restoration - Governor's Civil Contingency
1467.....	January 2005 Flood
1468.....	Flood Disaster, November 2003
1469.....	Flood Disaster, April 2007
1473.....	June 2008 Flood Event

**Soil Conservation Operating Fund**

This fund is comprised of sales, rental fees, federal funds from 8708, grants made by land owners to districts & interest to aid in erosion control of their lands, prevention of flood water and sediment damage (governed by WV Code §19-21A-4)

**Soil Conservation Small Watershed Program Fund**

This fund is comprised of transfers from fund 1010, federal funds, rental fees, interest & funds from sale of lands to purchase additional land for watershed use to assist in development of watershed projects (governed by WV Code §19-21A-4 and §17-16A-23).

**Hurricane September 2004 DR1558**

This fund is a Governor's Contingency Fund to provide assistance related to the September 2004 hurricane (governed by WV Code §5-1-18 and §15-5-13).

**Stream Restoration – Governor’s Civil Contingency**

This fund is a Governor’s Contingency Fund to finance stream restoration (governed by WV. Code §5-1-18).

**January 2005 Flood**

This fund is comprised of other collections, fees, licenses and income for maintenance of State's flood lands (governed by WV Code §4-11-2).

**Flood Disaster, November 2003**

This fund is comprised of other collections, fees, licenses and income for maintenance of State's flood lands (governed by WV Code §4-11-2).

**Flood Disaster, April 2007**

This fund is comprised of other collections, fees, licenses and income for maintenance of State's flood lands (governed by WV Code §4-11-2).

**June 2008 Flood Event**

This fund is comprised of other collections, fees, licenses and income for maintenance of State's flood lands (governed by WV Code §4-11-2).

**FEDERAL ACCOUNT**

WVCA maintained the following account funded with Federal sources:

<b><u>Fund Number</u></b>	<b><u>Fund Name</u></b>
8783.....	Soil Conservation Committee - Federal Fund General Activities

**Soil Conservation Committee – Federal Fund General Activities**

This fund is comprised of federal funds to maintain the Soil Conservation Program (governed by WV Code §4-11-3).

**WEST VIRGINIA CONSERVATION AGENCY  
JULY 1, 2009 – JUNE 30, 2010**

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**FINDINGS**

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**Finding 1                      Lack of Oversight of Conservation District Programs**

**Condition:**                      We noted instances in which the WVCA failed to properly oversee the efforts of the conservation districts in the performance of the Stream Protection and Restoration Program (SPRP), Emergency Watershed Program (EWP), Lime Incentive program and the Operation & Maintenance (O&M) of dams.

**SPRP**

During the test of all SPRP transactions, we noted 14 instances (93.3%) totaling \$750,176 out of 15 transactions totaling \$757,676 in which there was insufficient documentation. The lack of documentation is described in further detail in the table below:

<u>Type of Documentation</u>	<u>Number of Instances</u>
Proper Bid Documentation	10
Site Visitation Form	6
Release of Claims Form	3
Land Rights Permit Form	1
Inspector Evaluation Form	4
Daily Contractor Sign In Sheet	4
Project Summary	3
Project Completion Form	4
Invoices	<u>7</u>
<b>Total</b>	<b>42</b>

Additional items noted during the test were as follows:

- Of the 15 items tested, we noted four instances (26.7%) where the incorrect amount was paid to a contractor resulting in a total overpayment of \$67,810. The amount paid exceeded the bid amount plus any modifications.

#	<u>Amount Paid to Contractor</u>	<u>Audited Amount</u>	<u>Difference</u>
1	\$105,671	\$ 83,630	\$22,041
2	60,795	57,889	2,906
3	65,119	31,180	33,939
4	<u>308,524</u>	<u>299,600</u>	<u>8,924</u>
<b>Total</b>	<b><u>\$540,109</u></b>	<b><u>\$472,299</u></b>	<b><u>\$67,810</u></b>

- Of the 15 items tested, we noted seven instances (46.7%) totaling \$133,722 in which bid documentation was not provided or there was conflicting bid

documentation. As a result, we could not determine whether the proper amount was paid.

**EWP**

During the test of all EWP transactions, we noted 10 instances (25.6%) totaling \$517,596 out of 39 transactions totaling \$1,211,533 in which there was insufficient documentation. The missing documentation for these items included bid documentation, modifications, and project summaries.

Additional items noted during the test were as follows:

- Of the 39 items tested, we noted six instances (15.4%) totaling \$49,125 in which the incorrect amount was paid to a contractor. The amount paid exceeded the bid amount plus any modifications in five of the transactions. The remaining transaction was an error in which the same invoice was paid twice. On the table below, the transaction that was paid twice is the only transaction with an audited amount of zero.

#	<u>Amount Paid to Contractor</u>	<u>Audited Amount</u>	<u>Difference</u>
1	\$ 90,948	\$ 67,620	\$23,328
2	75,734	72,900	2,834
3	23,968	18,340	5,628
4	2,745	0	2,745
5	61,438	58,509	2,929
6	29,214	17,553	11,661
<b>Total</b>	<b><u>\$284,047</u></b>	<b><u>\$234,922</u></b>	<b><u>\$49,125</u></b>

- Of the 39 items tested, we noted nine instances (23.1%) totaling \$182,885 where a federal or state emergency had not been declared during the time period of the contract. Monies should only be expended from the EWP program during declared emergencies.

**Lime**

During the test of Lime payments, we tested 181 transactions totaling \$191,779 out of a population totaling \$404,803 and noted 25 instances (13.8%) totaling \$7,782 where farmers were reimbursed the incorrect amount.

#	<u>District</u>	<u>Actual Amount</u>	<u>Audited Amount</u>	<u>Difference</u>
1	Elk District	\$ 2,028	\$ 1,823	\$ 205
2	Elk District	596	386	210
3	Elk District	1,739	1,448	291
4	Elk District	1,408	1,260	148
5	Elk District	2,001	1,395	606
6	Elk District	550	397	153
7	Elk District	1,023	993	30
8	Elk District	844	315	529

#	District	Actual Amount	Audited Amount	Difference
9	Elk District	\$ 1,832	\$ 1,785	\$ 47
10	Elk District	1,020	807	213
11	Elk District	585	532	53
12	Elk District	1,809	0	1,809
13	Elk District	2,781	2,250	531
14	Elk District	325	292	33
15	Elk District	2,450	2,250	200
16	Elk District	185	123	62
17	Elk District	750	450	300
18	Elk District	1,971	420	1,551
19	Elk District	900	886	14
20	Elk District	926	744	182
21	Greenbrier Valley District	300	280	20
22	Little Kanawha District	324	81	243
23	Western District	165	0	165
24	Western District	792	754	38
25	Western District	<u>1,041</u>	<u>892</u>	<u>149</u>
	<b>Total</b>	<b><u>\$28,345</u></b>	<b><u>\$20,563</u></b>	<b><u>\$7,782</u></b>

In addition, we also noted five instances (2.8%) in which there was missing or incomplete documentation. The missing documentation included required support for the reimbursement.

### **O&M**

During the test of all 26 O&M transactions totaling \$134,672, we noted the following:

- Eight transactions were required to have bids and five of the eight transactions (62.5%) totaling \$23,343 did not obtain the required bids in compliance with the West Virginia Purchasing Division Handbook.
- Nineteen transactions required an O&M completion form; four of those 19 transactions (21.1%) totaling \$19,343 did not have the O&M completion form.

### **Criteria:**

WV Code §19-21A-4(g)(1), as amended, states in part:

“Offer appropriate assistance to the supervisors of conservation districts... in the carrying out of any of their powers and programs.”

WV Code §19-21A-4(g)(3), as amended, states in part:

“Coordinate the programs of the several conservation districts...”

WV Code §5A-8-9, as amended, states in part:

“The head of each agency shall:

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

WV Lime Incentive Program Packet: Eligibility Requirements states in part:

“**A current soil test must be filed with the Conservation District.** A soil test is considered current if it is less than three years of the date the practice is required.”

Conservation District Lime Incentive Contract – Part II – Terms and Conditions states in part:

“... enter into a contract with the Conservation District to receive a **50% cost share** on a bulk lime purchase for my operation. ... provide an original copy of the lime bill and an invoice for payments to the Conservation District for the reimbursement of the approved amount.”

Conservation District Lime Incentive Tonnage Approval Letter states in part:

“**You have been approved for 50% cost share under the WV Lime Program, for X acres pasture at a maximum of \$30 per ton for 3 tons per acre.** Note that only WV certified ag lime is eligible for the program...”

West Virginia Purchasing Handbook 3.2 Agency Delegated Acquisitions (\$25,000 or Less) states:

“For purchases \$2,500.01 to \$5,000, three (3) **verbal** bids are required, where possible, and the lowest bid meeting specifications must be awarded the purchase order/contract. All bids should be documented on a **Verbal Bid Quotation Summary (WV-49)**.”

“Purchases \$5,000.01 to \$25,000 require three (3) **written** bids, where possible, and the lowest bid meeting specifications must be awarded the purchase order/contract. Agencies should use the **Request for Quotation (WV-43)** to document those vendors solicited and their responses.”

West Virginia State Purchasing Handbook Procedures 6.3 Receiving Procedures states in part:

“For receipt of services, a receiving report similar in form to that required by the Auditor's office shall be completed, signed and retained with the purchasing file.”

WVCA O&M Procedures states in part:

“When the planned work is completed, a WVCA employee completes a WVCA O&M Completion Form.”

**Cause:**

The Watershed Division Director indicated the lack of documentation and payment of invoices in excess of the bid amount without a modification present was the result of human error due to poor policies and procedures. The current Contractual Specialist also stated they do not solicit bids for Stantec Consulting Services because the districts have already entered into agreements for their services. While it is true the districts have already entered into agreements, the audit team believes the agreements should have been the result of a competitive bidding process.

The agency failed to provide a response to the EWP findings. The audit team believes the cause for the errors discovered in the EWP program is due to inadequate managerial oversight.

The Assistant Division Director of Fiscal Operations indicated the lime reimbursement discrepancies were due to inconsistencies in how each district processed the reimbursements and human error in the calculation. He also stated the lime documentation discrepancies were due to human error in maintaining the required documentation.

The Assistant Division Director of O&M provided the causes for these instances. For one occurrence, the lack of bidding process is attributable to human error. For two of the occurrences the work was completed by the Civilian Conservation Corps (CCC), a private nonprofit, for the Little Kanawha Conservation District (LKCD). The WVCA treated the CCC as the LKCD work crew and followed the same procedures as if using an actual Conservation District work crew. The other two occurrences were not properly bid since the City of Vienna is a local sponsor and completed the work with its work crew. The Assistant Division Director of O&M indicated the O&M completion forms were not completed because the invoice was considered sufficient for the completion form since it contains the same information.

**Effect:**

Lack of oversight and assistance by the WVCA of the 14 conservation districts could lead to inefficient programs and unnecessary expense by the State. The conservation districts use monies received from the WVCA for the application of their programs.

**Recommendation:**

We recommend the WVCA comply with WV Code §19-21A-4(g)(1), §19-21A-4(g)(3) and §5A-8-9, the WV lime incentive program packet, conservation district lime incentive contract, conservation district lime incentive tonnage

approval letter, West Virginia Purchasing Handbook 3.2 and 6.3, and WVCA O&M procedures by properly overseeing and assisting the Conservation Districts to ensure their programs run efficiently.

**Spending Unit's  
Response:**

The WVCA agrees with this finding. See Appendix A page 64.





prevents the citizens of West Virginia from receiving the full benefit of their tax dollars appropriated to the agency.

**Recommendation:** We recommend the WVCA comply with WV Code §19-21-A-4(6), §19-21A-3(13), §19-21A-8(13) and the mission listed on the agency website by developing policies and procedures to ensure the agency is expending appropriated funds in a manner which meets the mission of the agency.

**Spending Unit's Response:** The WVCA agrees with this finding. See Appendix A page 66.

**Finding 4**                      **Non-Compliance with WV Code – District Audits**

**Condition:**                      During our procedural interviews and our testing of the miscellaneous expenditures, we became aware of the WVCA’s lack of compliance with WV Code in regards to the required annual audit of the accounts of receipts and disbursements. The agency contracts for agreed upon procedures engagements.

**Criteria:**                        WV Code §19-21-A-4(f)(3) and §19-21-A-7(f)(3), as amended, states in part:  
  
  “Provide for an **annual audit** of the accounts of receipts and disbursements.”

**Cause:**                         The Executive Director informed the audit team the WVCA is unable to afford full financial audits each year for all fourteen conservation districts.

**Effect:**                         Failure to conduct an annual audit could result in the ineffectiveness of internal controls and increases the possibility of fraud and abuse.

**Recommendation:**        If the agency continues to use the agreed upon procedure engagements we recommend they seek a change to WV code defining an acceptable form of an audit.

We also recommend the Legislature change WV Code §4-2-5 to include political subdivisions in order to grant us the authority to audit political subdivisions of the State.

**Spending Unit’s  
Response:**

The WVCA agrees with this finding. See Appendix A page 67.

**Finding 5**                      **Prior Approval of Overtime**

**Condition:**                      We tested 22 payroll transactions totaling \$28,143 out of a population of \$2,948,419 and noted two instances (9.1%) where an employee worked overtime without prior approval. The employee was paid \$3,119 pre-tax overtime during two pay periods. During our audit period, the employee was paid pre-tax overtime of \$10,733, none of which was approved prior to completion of overtime.

**Criteria:**                        WVDA Policies & Procedures 7.16 states:

“Non-exempt employees of the Department are not permitted to work more than 40 hours in a workweek unless their supervisor obtains prior approval from the Division Director. ”

WVDA Policies & Procedures 7.17 states in part:

“Any supervisor allowing a non-exempt employee to work more than 40 hours in a workweek without the appropriate approval may be subject to disciplinary action... ”

WVDA Policies & Procedures 7.18 states:

“Each Division Director may establish procedures authorizing supervisors to arrange work schedules or to schedule overtime in unforeseen or emergency situations.”

**Cause:**                         The previous Executive Director authorized the overtime after the employee took the overtime. The employee was reprimanded after excessive overtime hours were taken without prior approval. As of July 2011, the employee was relieved of his or her duties.

**Effect:**                         Without written approval of overtime by the Division Director, employees could take overtime without prior approval. According to WVDA policy, an employee who works overtime must be paid. This could cause the State unnecessary expense if an employee works overtime which is not required.

**Recommendation:**       We recommend the WVCA comply with WVDA Policies & Procedures Manual Sections 7.16, 7.17 and 7.18 and require all employees receive prior approval by their immediate supervisor, all supervisors receive approval by the Executive Director, and disciplinary action if an employee fails to do so. We also recommend the WVCA have procedures for overtime during emergency situations in accordance with WVDA policy.

**Spending Unit’s  
Response:**

The WVCA agrees with this finding. See Appendix A page 68.  
The WVDA response has been included in Appendix B page 74.

**Finding 6**

**Non-Compliance with Agreement**

**Condition:**

We tested eight grants transactions (42.1%) totaling \$167,495 out of a population of 19 transactions totaling \$326,300. Two transactions did not require agreements. We found four transactions out of the remaining six (66.7%) totaling \$38,870 where the WVCA did not follow the terms of the approved agreement. Due to the risk of unnecessary expense to the State, we obtained and reviewed the total amount spent on the two agreements during our audit period. Those amounts are listed below for each agreement.

**Agreement 1160**

- Agreement 1160 states the purpose is “to provide the WVCA a liaison that can communicate and act as a key spokesperson and representative to state/federal committees, meetings and conferences.”
- According to the agreement, the WVCA will reimburse West Virginia University Extension Services (WVUES) for partial salary, benefits and travel related to WVCA business.
- During our audit period, the WVCA reimbursed WVUES for \$55,642 for salary and benefits and no travel expenses. The liaison, whose purpose was to represent the WVCA at meetings and conferences, had not been claiming travel reimbursement.

**Agreement 1162**

- The purpose of Agreement 1162 is to provide cost share funding for the Clinical Faculty position of an Extension Specialist – Agricultural Engineer. The position acts as a liaison between WVUES and the WVCA, and to other agencies involved in the field of conservation which will include WV Conservation Districts, WVDA, US Army Corps of Engineers, USDA – Farm Service Agency, USDA – Natural Resources Conservation Service and others.
- According to the agreement, the WVCA will reimburse WVUES for partial salary, travel and benefits related to WVCA. On April 1, 2010, the agreement was changed and the WVCA reimbursed WVUES for 100% of the travel expenses related to WVCA business. The engineer was also required to fill out a Travel Expense Settlement Form as of April 1, 2010 for all travel conducted on the behalf of the WVCA.
- During our audit period, the WVCA reimbursed WVUES for \$25,893 for salary and benefits and \$554 for travel. The WVCA also reimbursed WVUES \$4,527 in June 2010 for a computer for a total of \$30,975.

Upon discovery of this information, we requested all documentation related to Agreements 1160 and 1162 for our entire audit period. The WVCA could only

provide invoices WVUES had sent. No other required documentation could be provided. When asked about the duties performed by the liaison and engineer, no information could be provided as to what their responsibilities to the WVCA entailed. Following the request of documentation pertaining to this agreement, WVUES decided to cancel Agreement 1160 effective July 1, 2011.

**Criteria:**

WVCA Agreement 1160 under WVUES Responsibilities states in part:

“Incumbent will provide a quarterly report on activities to accomplish the purpose and objectives of this agreement within 20 days after closing of the quarter.”

“Provide WVUES with an annual calendar year performance review for this position by January 31.”

“Submit unresolved issues in the interpretation or performance of this agreement (AGR) to the Chairman of the SCC for committee resolution.”

WVCA Agreement 1162 under WVUES Responsibilities states in part:

“Instruct incumbent to draft and provide a quarterly report on activities to accomplish the purpose and objectives of this agreement within 20 days after closing of each quarter to accomplish the purpose and objectives of the agreement.”

“Provide WVCA with an annual calendar year performance review for position incumbent by January 31.”

“Submit unresolved issues to the Director of Extension and the Chairman of the SCC for program and committee resolution.”

**Cause:**

According to WVCA staff, the previous Executive Director informed staff to pay the invoices without receiving any documentation to support the payments.

**Effect:**

The WVCA did not require the documentation listed in the Criteria section above to be received before payment was made to WVUES. Non-compliance by the WVCA and WVUES for the agreements could cause the State unnecessary expense. The non-compliance also provides the opportunity for payment on the agreement for duties not performed by the engineer and liaison.

**Recommendation:**

We recommend the WVCA comply with the terms of Agreement 1162 by providing payment for the agreements subsequent to all documentation being received for the engineer. We also recommend the WVCA provide detail in all agreements as to what information should be sent with the invoice (time sheet, travel form, etc.).

**Spending Unit’s  
Response:**

The WVCA agrees with this finding. See Appendix A page 68.

**Finding 7**

**Not Properly Accounted for Assets**

**Condition:**

We tested 20 fixed asset transactions (40.8%) totaling \$173,068 out of a population of 49 transactions totaling \$211,611, including reimbursements and corrections, and noted the following:

- Six transactions were not required to be recorded in the WVFIMS Fixed Asset System. We have no items noted for these transactions.
- Eight instances out of the remaining 14 (57.1%) were not properly accounted for as follows:

<u>Items Noted</u>	<u>#</u>	<u>Description</u>	<u>Amount</u>
<b>Not entered in system</b>	1	Three routers and two RAM storage units	\$ 6,866
	2	Video conferencing equipment	17,876
	3	Video conferencing equipment	9,141
<b>Serial numbers not entered correctly</b>	4	Six computers	3,540
	5	One computer	927
	6	Server	2,135
<b>Items entered twice in system</b>	7	Tape Drive (Storage)	2,175
	8	Server	2,590
		<b>Total</b>	<b>\$45,250</b>

- One transaction (5.0%) included routers totaling \$1,963 unable to be located. The procurement officer signed a receiving report indicating these items were received by the WVCA but the routers were unable to be located by WVCA staff.

After the receiving report was signed, the WVCA received a phone call from a Cisco employee stating someone was trying to register the routers on the West coast. This matter was never fully resolved and it is unknown what happened to the routers.

**Criteria:**

The WVFIMS Fixed Asset Training Manual section 3.6 Reportable Property states in part:

“...any item which has an original acquisition cost of \$1,000 or more and useful life of one (1) year or more is required to be entered into the WVFIMS Fixed Asset system.”

The WVFIMS Fixed Asset Training Manual section 3.12 Added Property states:

“When an agency acquires new, reportable property/equipment, the item should be entered into the WVFIMS Fixed Asset system and labeled with a numbered identification tag. Agencies are responsible for adding new

equipment into the WVFIMS Fixed Asset system as soon as the vendor's invoice has been paid and the FIMS 'I' document number has been established."

West Virginia Purchasing Division's Purchasing Handbook 6.3 - Receiving Procedures states in part:

"Agencies must verify the shipment against the specifications in the purchase order and retain a copy of the receiving report..."

"Agencies must verify quantities received..."

The WVFIMS Fixed Asset Training Manual section 3.6.1.2 states:

"All computers (including laptops and central processing units [CPU]) with an acquisition cost of \$500 or more."

**Cause:**

**Not Properly Accounted for Assets**

According to the WVCA Fiscal Services Manager, the finding related to items not entered or entered incorrectly in the WVFIMS fixed asset system is the responsibility of the WVDA and therefore cannot be attributed to WVCA actions.

According to the WVDA Director of Administrative Services, the WVDA does not physically receive the equipment purchased by the WVCA. Therefore, the WVDA must rely upon the WVCA authorized receiver and WVCA staff to identify any items which may need to be tagged and tracked and contact the WVDA to have a tag issued. The WVDA also uses the Potential Fixed Asset report generated from WVFIMS and reviewed on a monthly basis to identify items which may have been missed. The items not in the Fixed Asset System were due to human error. The WVCA did not notify the WVDA to issue a tag when the item was received and the items were overlooked on the Potential Fixed Asset report by the WVDA.

The incorrectly entered computer equipment was a result of data entry error by the WVDA. The WVFIMS Fixed Asset System requires 100% of equipment data to be entered manually and does not interface information from the purchase orders, invoices or receiving reports related to the equipment purchase. The WVDA is developing an internal database to capture, summarize and do an electronic comparison of fixed asset information to minimize future errors.

The equipment duplicated in the system and issued two tags was due to error by the WVDA relying solely on the Potential Fixed Asset report. The WVFIMS Fixed Asset System does not have a control to prevent duplicate entries and will accept the same serial number on multiple asset records. The WVCA did not notify the WVDA of the duplication nor return the second tag to the WVDA. The WVDA has requested WVCA personnel to identify the correct tag numbers for the assets in question and return the tag issued in error. The WVDA is

developing an internal fixed asset tracking database to capture and manage initial asset information and tag distribution. The database will provide additional control to ensure each piece of equipment is tagged only once.

### **Missing Equipment**

The WVCA Fiscal Services Manager believes two factors were the cause of the inability to locate the routers. The first was she believes the receiving process was incorrectly completed by the procurement officer. She does not believe items received were counted and compared to the purchase order, invoice, or packing slip. Also, for IT related items received, it is customary for an IT employee to sign for those items. This practice was not followed for the routers. The Fiscal Services Manager also believes the lack of segregation of duties between purchasing and receiving assets facilitated the problem. The procurement officer was over both purchasing and receiving assets. The WVCA has separated these duties as of January 2012. The procurement officer who signed the receiving report for the routers is no longer employed by the WVCA.

#### **Effect:**

By not entering assets into the WVFIMS fixed asset system, assets are untraceable and may be easily stolen. Duplicating items in the fixed asset system causes an overstatement of assets. Incorrectly entering serial numbers in the fixed asset system may cause items to be untraceable in an inventory test.

Failure of the agency to accurately complete a receiving report and verify the items received to the purchase order could lead to misappropriation of assets. The failure to separate the duties of purchasing and receiving would facilitate the opportunity to misappropriate assets.

#### **Recommendation:**

We recommend the WVCA comply with WVFIMS Fixed Asset Training Manual section 3.6, 3.12, and 3.6.1.2 and the WV Purchasing Division's Purchasing Handbook Section 6.3 by correctly entering all assets into the WVFIMS fixed asset system and verify all purchases received match the purchase order and packing slip. We also recommend the WVCA ensure assets are entered only once into the fixed asset system.

#### **Spending Unit's Response:**

The WVCA agrees with this finding. See Appendix A page 69.  
The WVDA response has been included in Appendix B page 74.

**Finding 8**

**Missing Inventory and Asset Tags**

**Condition:**

**Traced from Fixed Asset Report to Location**

During the equipment inventory test, we selected 32 random items and selected 18 additional transactions using professional judgment, totaling \$300,714 (28.7%) for testing. The inventory population consisted of 304 items totaling \$1,046,323 (we excluded buildings and structures from the population).

We were unable to locate 18 items totaling \$62,028 (20.6%) which we attempted to trace from the WV Fixed Assets Report. Of 32 items successfully traced to a physical location, we were unable to locate a state identification tag on 18 items (56.3%).

**Traced from Location to Fixed Asset Report**

During testing, we located 30 items in the field to trace back to the Fixed Assets Report. Of those 30, three were under the reporting requirement for the Fixed Asset system. For the remaining 27 items, we noted the following:

- We were unable to locate state identification tags on nine items (33.3%).
- We were unable to trace four items (14.8%) from their physical location to the WV Fixed Assets Report. Since these items were not located in the Fixed Asset System, we could not determine their original cost.

<u>Discrepancy</u>	<u>Computers and Accessories*</u>	<u>Vehicle</u>	<u>Other</u>	<u>Copier</u>	<u>(%)</u>	<u>Dollar Value</u>
Unable to Locate (Out of 50 Items)	17	0	0	1	36%	\$ 62,028
Tag not secure or not visible (Out of 59 items)*	19	4	3	1	46%	159,417
Not entered in WVFIMS Fixed Asset System (Out of 27 Items)	4	0	0	0	15%	**
<b>Total</b>	<b>40</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>36%</b>	<b><u>\$221,445</u></b>

\*Based on 59 items since 18 items in the test could not be located, and therefore it could not be determined if the items were properly tagged.

\*\*Acquisition amount could not be determined since the item was not entered into the WVFIMS Fixed Asset System

**Criteria:**

The WVFIMS Fixed Asset Training Manual section 3.11 Identification Tags states:

“All equipment over \$1,000 will have a numbered equipment identification tag and that equipment will be entered into the WVFIMS Fixed Asset system.

Agency's [sic] will be responsible for obtaining and placing the proper tags on all equipment under their jurisdiction. Tags are to be placed on all items of property/equipment in such a manner that it can be easily seen and read." The WVFIMS Fixed Asset Training Manual section 3.3 states:

"Agencies are responsible for all property under its jurisdiction, regardless of its state (removable or fixed), origin, or acquisition cost. Agencies are responsible for maintaining equipment from date of purchase to date of retirement, such as **keeping equipment secure, entering assets into the WVFIMS Fixed Asset system, conducting physical inventories, submitting annual certification, retiring assets properly, etc.**"

The WVFIMS Fixed Asset Training Manual section 3.6.1 states in part:

"All computers (including laptops and central processing units [CPU]) with an acquisition cost of \$500 or more."

**Cause:** The WVCA Fiscal Manager and the Network Administrator stated there were multiple reasons for the inability to locate inventory items such as human error, processing delays, field replacements, retired, returned, recycled, or assigned to a location but cannot be confirmed. He also stated there are multiple causes for the state asset tags not being affixed to the item as they are received. There is a procedural deficiency between the WVCA and the WVDA resulting in the WVCA not receiving the tags in an efficient manner prior to the receipt of the goods. The procedural deficiency coupled with a lack of oversight by employees and previous administration has led to items being placed for use in the field without tags being affixed. Human error is the reason tags have not been placed on the items once the tags are received by the WVCA.

**Effect:** The assets may have been lost, stolen, not recorded correctly, or not retired properly causing the assets for the WVCA to be overstated. The possibility exists for inventory items without identification tags to easily be lost, stolen, or misidentified.

**Recommendation:** We recommend the WVCA comply with Sections 3.11, 3.3, and 3.6.1 of the WVFIMS Fixed Asset Training Manual and develop procedures ensuring all assets are properly labeled with the proper state issued identification tags before being placed in the field for use. We also recommend the WVCA ensure all assets are properly secured and place state identification tags on assets as they are received to ensure assets can be located.

**Spending Unit's Response:**

The WVCA agrees with this finding. See Appendix A page 69.  
The WVDA response has been included in Appendix B page 75.

**Finding 9 Stringing P-card Purchases**

**Condition:** We tested 164 P-card transactions (16.4%) totaling \$60,200 out of a population of 998 totaling \$204,005, including reimbursements and corrections, and noted one instance (0.6%) totaling \$2,738 where the WVCA circumvented the \$2,500 P-card transaction limit.

<u>Vendor</u>	<u>Description</u>	<u>Date</u>	<u>Amount</u>
<b>Vendor A</b>	<b>DLP Projector</b>	<b>8/31/2009</b>	<b>\$1,399</b>
Vendor B	DLP Projector	9/01/2009	\$1,339

The bolded item in the chart above is the item included in our audit test. The first projector purchased was not approved by the Fiscal Services Manager, but the second projector had signature approval.

**Criteria:** WVSAO P-card Policies and Procedures 6.2:

“It is a violation of policy to manipulate the ordering, billing, or payment process in order to circumvent established cardholder limits.”

WV Purchasing Handbook 3.2 Agency Delegated Acquisitions (\$25,000 or Less) states in part:

“For purchases \$2,500.01 to \$5,000, three (3) verbal bids are required, where possible, and the lowest bid meeting specifications must be awarded the purchase order/contract...”

**Cause:** The Fiscal Services Manager stated the projectors were purchased for use at the National Soil and Conservation District Association meeting hosted by the WVCA in Charleston. The procurement officer was not advised of the need for the equipment until immediately prior to the event, which did not provide sufficient time to follow the normal purchasing procedures. While the items were previously approved for rental by the WVCA, they found it to be more economical to purchase the projectors. The WVCA provided a State of West Virginia Request for Hospitality Service form which showed the equipment rental approval. The form was approved on July 15, 2009. The projectors were purchased on August 31, 2009 and September 1, 2009. The Fiscal Services Manager stated she was unaware the first projector was purchased without her approval.

**Effect:** Without appropriate oversight of P-card purchases and compliance with the WVSAO P-card Policies and Procedures, there is the potential for ongoing misuse of the P-card which could cost the State unnecessary expense due to the WVCA not obtaining approval for purchases over \$2,500.

**Recommendation:** We recommend the WVCA comply with WVSAO P-card Policies and Procedures Section 6.2 by ensuring P-card transactions are not manipulated to circumvent the \$2,500 transaction limit. We recommend the WVCA use a method allowing each form to be tracked by the Fiscal Services Manager, such as pre-numbered forms. We also recommend the WVCA comply with WV Purchasing Handbook 3.2, and receive bids when required.

**Spending Unit's Response:** The WVCA agrees with this finding. See Appendix A page 70.  
The WVDA response has been included in Appendix B page 75.

**Finding 10**                      **Inadequate Segregation of Duties**

**Condition:**                      The WVCA is not in compliance with WVSAO P-card Policies and Procedures. During our audit period, the WVCA Assistant Fiscal Services Manager made P-card purchases, received the items, reconciled her own individual statement, entered the transaction information into STARS, and entered items into the WVCA inventory system. This individual entered all items not related to the IT department into the inventory system.<sup>2</sup>

**Criteria:**                        The WVCA fails to comply with WVSAO P-card Policies and Procedures 2.4.1:

**“Sufficient internal controls must be established and implemented to ensure that when a P-card coordinator is also a cardholder, some other knowledgeable individual... reviews and approves transactions appearing on the coordinator’s P-card”**

**“The reconciliation process must include a knowledgeable and independent review of documentation, receipts, and transaction reports.”**

**Cause:**                            The Fiscal Services Manager stated the WVCA assumed segregation of duties was achieved since all WVCA P-card reconciliations go to WVDA Administrative Services for review with signature approval by the WVDA Administrative Services Division Director. The WVDA, however, does not receive any documentation until after the purchases have been made and items purchased may have already been received. The audit team believes the review being performed by the WVDA is not thorough and does not alleviate the risk posed by the concentration of so many duties with one individual. The WVCA stated it will amend its internal P-card procedures.

**Effect:**                            The lack of segregation of duties over the P-card process makes the P-card system vulnerable to misuse by the individual overseeing the process.

**Recommendation:**            We recommend the WVCA comply with WVSAO P-card Policies and Procedures 2.4.1 by segregating the P-card responsibilities. An individual cannot reconcile his or her own purchases according to the Policies and Procedures. We recommend the WVCA also segregate the duties further by not allowing the Assistant Fiscal Services Manager to purchase, receive, and enter items into the P-card system and the inventory system. We recommend the WVCA use a method allowing each form to be tracked by the Fiscal Services Manager, such as pre-numbered forms. We also recommend the WVCA comply with their policy of having all purchases fiscally approved prior to the purchase being initiated. This policy ensures unnecessary or duplicate items are not purchased.

**Spending Unit’s**

**Response:**                        The WVCA agrees with this finding. See Appendix A page 70.

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<sup>2</sup> See findings 9 and 11 for additional findings related to the inadequate segregation of duties.

**Finding 11****Lack of Approval****Condition:****P-card**

We tested 164 P-card transactions (16.4%) totaling \$60,200 out of a population of 998 transactions totaling \$204,005, including reimbursements and corrections, and noted 10 instances (6.1%) of P-card purchases completed without the approval of the Fiscal Services Manager or the requestor's immediate supervisor.

We also noted two instances (1.2%) of items purchased which were not included on a WVCA Purchase Request form and four instances (2.4%) where a WVCA Purchase Request form was not completed for purchased items.

**Repairs and Alterations**

We tested five repairs transactions (31.3%) totaling \$21,843 out of a population of 16 transactions totaling \$23,369, including reimbursements and corrections, and noted one instance (20%) in which the WVCA failed to follow the correct purchasing procedures by not obtaining a purchase request.

**EWP**

Out of a population of 12 districts with transactions totaling \$857,275, we found one district (8.3%) in which a Letter of Request (LOR) was not signed by the Commissioner of the WVDA.

**Travel**

We tested 150 travel transactions (5.6%) totaling \$65,154 out of a population of 2,694 totaling \$636,726, including reimbursements and corrections, and noted one instance (0.7%) where the WVCA allowed out-of-state travel by an employee without the approval of the Commissioner of Agriculture.

<b><u>Test</u></b>	<b><u>Description</u></b>	<b><u>Items Noted</u></b>	<b><u>Dollar Amount of Noted Items</u></b>	<b><u>Items noted as % of Dollar Amount Tested</u></b>
<b>P-card</b>	Lack of approval	10	\$11,646	19.30%
	Not included on form	2	197	0.30%
	No form completed	4	228	0.40%
	<b>Total P-card Items Noted</b>	<b>16</b>	<b>\$12,071</b>	<b>19.70%</b>
<b>Repairs</b>	No purchase request	1	2,712	12.40%
<b>EWP</b>	Lack of approval	1	33,000	3.90%
<b>Travel</b>	Lack of approval	1	905	1.30%
	<b>Total for all Tests</b>	<b>19</b>	<b>\$48,688</b>	<b>2.80%</b>

**Criteria:**

WVSAO Purchasing Card Policies and Procedures Section 2.4.1 states in part:  
“...a direct supervisor or a different coordinator reviews and approves transactions appearing on the coordinator’s P-card.”

WVCA P-card Procedures:

“When an employee wants to make a purchase they fill out a WVCA Request Form and give it to their manager.”

West Virginia Purchasing Division Purchasing Handbook 6.1.2 states in part:

“Purchases \$2,500.01 to \$5,000: A minimum of three (3) verbal bids are required, *when possible*, and must be present in the file. Bids shall be documented and recorded for public record. **An Agency Purchase Order, WV-88, or TEAM-generated Purchase Order is required for purchases exceeding \$2,500.**”

West Virginia Purchasing Division Purchasing Handbook 4.7.1.5 states in part:

“Emergency Purchases \$25,000 or Less: A minimum of three (3) bids, if possible, should be obtained. Original written bids and written agency justification shall be attached to the agency file. **An Agency Purchase Order, WV-88, or a TEAM generated Purchase Order, is required if the purchase exceeds \$2,500.**”

WVCA LOR Procedures:

“The completed and verified LOR is then sent to the Commissioner of Agriculture, for signature approval.”

WVDA Travel Policy and Procedures Chapter 20.12 states in part:

“Each instance of out-of-state travel requires (...)approvals of the appropriate Division Director/Executive Director or designee and the **Commissioner/Chairman or his designee.**”

**Cause:**

For the P-card test, the Fiscal Services Manager stated the six transactions without the signature of the Fiscal Services Manager were due to the individual being out of the office on the date the items were requested and purchased. The four transactions without the signature of the requestor’s immediate supervisor were due to human error.

The Assistant Fiscal Services Manager believes she received verbal approval for two of the items. The Assistant Fiscal Services Manager stated the first transaction was ink cartridges added to the order after the request form was completed. She stated the purchaser neglected to add the item to the form or require a new form be filled out. The second transaction was a printer purchased which was not on the request form. The Assistant Fiscal Services Manager stated she received verbal approval from the Division Director to

purchase the item. The WVCA will amend the current policy and add a provision stating no items will be added to existing request forms after signature approvals are on the form. Any verbal purchase requests will be documented and approved with a request form.

The Fiscal Services Manager stated the instance in the repairs test was an emergency purchase and did not require a purchase order. It was a vehicle towed for repair and to determine the cause of the problem they had to disassemble the engine. It was cheaper to have the same entity perform the repair than to reassemble the engine and tow it elsewhere for service.

For the item noted during the testing of EWP, the WVCA Fiscal Services Manager stated once she and the Executive Director have given their signature approval for an LOR, the LOR is then sent to the WVDA for further approval and processing. The WVCA does not receive the LOR back from the WVDA to ensure all WVDA signature approvals are on the LOR before processing is completed.

The Fiscal Manager stated the WVCA was verbally advised by the office of Commissioner Douglas that out-of-state travel requests for staff with the title of Assistant to Executive Director can be approved with the signature of the WVCA Executive Director.

**Effect:** There is a risk of unauthorized expenditures and misuse of funds which could cost the State unnecessary expenses.

**Recommendation:** We recommend the WVCA comply with WVSAO P-card Policies and Procedures Section 2.4.1, WVCA P-card Procedures, West Virginia Purchasing Division Purchasing Handbook 6.1.2 and 4.7.1.5, WVCA LOR Procedures and the WVDA Travel Policy and Procedures Chapter 20.12 by ensuring all purchases are reviewed and signature approval is secured prior to the transactions taking place or by changing the policy to accurately reflect the current process. We also recommend the WVCA use a method allowing each form to be tracked by the Fiscal Services Manager, such as pre-numbered forms. We also recommend the WVDA and WVCA change their policy if the WVDA Commissioner can verbally approve out-of-state travel for certain employees.

**Spending Unit's Response:**

The WVCA agrees with this finding. See Appendix A page 70.  
The WVDA response has been included in Appendix B page 75.

**Finding 12**

**Incorrect Retirement Pay**

**Condition:**

During the test of retirements and resignations, we found one instance out of seven (14.3%) employees tested where the employee was overpaid a total of \$584 for gross retirement pay. The employee received gross pay of \$1,062 and no increment pay. The employee should have received gross pay of \$380 and \$98 of gross increment pay.

**Criteria:**

West Virginia Division of Personnel Annual Increment Policy:

“Separating employees shall be paid the annual increment on a pro rata basis for the portion of service rendered by the employee during the current fiscal year of employment.”

**Cause:**

The WVDA failed to remove the employee from the payroll system when their leave balance was exhausted causing the employee to be paid for services not rendered. The employee was over 80 hours behind on time worked, which made it unlikely those hours could be made up within a reasonable time frame.

The employee had missed several days of work after her leave balance was exhausted due to personal hardships. The WVDA, who is responsible for calculating the WVCA retirement employee’s final pay, left the employee on the payroll with the understanding the employee would make up the hours. The employee decided to take an early retirement before making up most of the hours. The employee was 82.5 hours behind and the WVDA docked their pay 6.5 hours on the last payroll. This left the employee 76 hours behind at the date of retirement.

**Effect:**

By not removing an employee from payroll when their leave balance was exhausted, the WVDA paid an employee when no services were rendered. This increases the risk of unnecessary expenses of State funds.

**Recommendation:**

We recommend the WVCA comply with WV Division of Personnel Annual Increment Policy as described above. We also recommend the prompt removal of employees from payroll upon exhaustion of their leave balance.

**Spending Unit’s  
Response:**

The WVCA agrees with this finding. See Appendix A page 71.  
The WVDA response has been included in Appendix B page 75.

**Finding 13**

**Internal Control Weakness**

**Condition:**

During the test of Fuel Cards, we tested 10 ARI cards. Since the WVCA issues a separate Exxon card in addition to the ARI card, we also tested the corresponding Exxon card. We could not determine the miles per gallon (mpg) due to the employee failing to write the odometer reading on the Exxon invoices for four Exxon cards (40%). The WVCA asks employees to write the ending odometer reading on the Exxon receipt because the employee is not required to enter the mileage at the gas pump for the Exxon card. The ARI card requires employees to type their odometer reading into the gas pump each time they purchase gas with the card. This control makes the ARI card more effective in monitoring employees' fuel card usage.

**Criteria:**

West Virginia Legislative Rule 148-3-6 Use of State Owned and Leased Vehicles:

"It is the responsibility of the spending unit to monitor vehicle use and to take appropriate action when an employee's use is determined to be inappropriate or is not in accordance with this rule."

**Best Business Practices**

Efficiently monitor the fuel card usage of employees by determining mpa. A low mpg may be indicative of fuel card abuse.

**Cause:**

The vehicle coordinator was unable to effectively monitor fuel card purchases due to the WVCA having two fuel cards for each state vehicle with each invoice being received and payment due at differing intervals.

**Effect:**

With multiple fuel cards per vehicle on differing billing cycles, the potential for abuse exists and could cause the State unnecessary expense.

**Recommendation:**

We recommend the WVCA properly monitor the fuel card usage by calculating mpg for employees' fuel card usage. We also recommend the WVCA discontinue use of the Exxon fuel card to allow the vehicle coordinator to effectively monitor employees' fuel card usage.

**Spending Unit's  
Response:**

The WVCA agrees with this finding. See Appendix A page 71.

**Finding 14**

**Failure to use Statewide Contracts**

**Condition:**

Out of a population of 998 P-card transactions totaling \$204,005, including reimbursements and corrections, we tested 164 transactions (16.4%) totaling \$60,200, and noted 14 instances (8.5%) of items not purchased through statewide contract. These transactions are described in further detail in the table below:

<b>#</b>	<b>Transaction Date</b>	<b>Amount</b>	<b>Description</b>	<b>Statewide Contract</b>
1	1/22/2010	\$ 2,364	External Hard Drives	Office Max
2	11/10/2010	1,625	Hard Drives	Office Max
3	6/2/2010	651	Ink/Toner	Office Max
4	8/12/2009	523	Ink/Toner	Office Max
5	6/17/2009	1,439	Ink/Toner	Office Max
6	7/8/2009	2,480	Ink/Toner	Office Max
7	8/25/2009	1,016	Ink/Toner	Office Max
8	11/5/2009	2,281	Ink/Toner	Office Max
9	12/22/2009	2,424	External Hard Drives	Office Max
10	1/7/2010	1,110	Ink/Toner	Office Max
11	3/10/2010	1,500	Ink/Toner	Office Max
12	3/10/2010	347	Ink/Toner	Office Max
13	3/10/2010	332	Ink/Toner	Office Max
14	3/10/2010	163	Ink/Toner	Office Max
	<b>Total</b>	<b>\$18,255</b>		

**Criteria:**

WVSAO P-card Policies and Procedures 6.1:

“State Agencies should refer to the State Purchasing Policies & Procedures Handbook where applicable.”

WV Purchasing Division’s Purchasing Handbook 4.6.2.1:

“No agency may be exempt from using statewide contracts without prior written approval (...) Use of the State Purchasing Card shall not to be used as a payment method to circumvent purchases from established contracts.”

January 11, 2008 Memorandum to the INKCRT07 statewide contract:

“Please utilize the Office07 Contract for all ink cartridge purchases.”

**Cause:**

The procurement officer was unaware the statewide contract with OfficeMax was still in existence through May 31, 2010.

**Effect:**

Without appropriate oversight of P-card purchases and compliance with the WVSAO P-card Policies and Procedures and the WV Purchasing Division’s Purchasing Handbook, discounted items are not purchased which could save the State unnecessary expenses.

**Recommendation:** We recommend the WVCA comply with WVSAO P-card Policies and Procedures Section 6.1, WV Purchasing Division's Purchasing Handbook Section 4.6.2.1, and the January 11, 2008 memorandum and utilize statewide contracts.

**Spending Unit's  
Response:**

The WVCA agrees with this finding. See Appendix A page 71.  
The WVDA response has been included in Appendix B page 76.

**Finding 15****Failure to Withhold Tax from Per Diem Payments****Condition:**

The conservation district supervisors are paid a daily per diem rate in addition to other expenses. The per diem they receive functions as salary and is taxable income along with the meals received without an overnight travel stay.

Out of a population of 1,014 totaling \$341,760, we tested 54 transactions (5.3%) totaling \$28,380 and noted 22 instances (40.7%) totaling \$1,939 of incorrect per diem payments. The instances are detailed in the table below. We are 95% confident, if our sample holds true to the entire population, 283 to 553 transactions, or 27.9% to 54.5%, would have been reimbursed the improper amount.

<b>#</b>	<b><u>Actual Amount</u></b>	<b><u>Audited Amount</u></b>	<b><u>Difference</u></b>
1	\$180	\$153	\$27
2	120	106	14
3	300	268	32
4	568	513	55
5	702	624	78
6	372	328	44
7	337	306	31
8	668	601	67
9	606	546	60
10	738	600	138
11	390	353	37
12	512	412	100
13	450	404	46
14	793	677	116
15	945	796	149
16	78	69	9
17	431	375	56
18	129	113	16
19	408	367	41
20	721	620	101
21	585	530	55
22	<u>2,280</u>	<u>1,613</u>	<u>667</u>
<b>Total</b>	<b><u>\$12,313</u></b>	<b><u>\$10,374</u></b>	<b><u>\$1,939</u></b>

**Criteria:**

U.S. Code Title 26 Subtitle C Chapter 24 Section 3401(a) states in part:

"...the term "wages" means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer..."

U.S. Code Title 26 Subtitle C Chapter 24 Section 3401(c) states in part:

"...the term "employee" includes an officer, employee, or elected official of the United States, a State, or any political subdivision thereof..."

U.S. Code Title 26 Subtitle C Chapter 24 Section 3401 (a)(1) states in part:

..."every employer making payments of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures..."

**Cause:** The WVDA Director of Administrative Services stated they historically had not withheld taxes, but had reported per diem as taxable income. They were not aware the per diem payments were subject to withholding requirements. In 2009 it was brought to their attention per diem payments were subject to withholding. Taxes were withheld beginning in January 2010. The conservation district supervisors were notified via a memo dated December 17, 2009 of the impending changes. The 22 instances occurred prior to the WVDA pronouncement to withhold taxes from the per diem payments; therefore, the problem has been corrected.

**Effect:** The failure to withhold taxes from an employee's wages can result in possible tax liabilities to both the State and to the individual employee.

**Recommendation:** We recommend the WVCA comply with U.S. Code Title 26 Subtitle C Chapter 24 Section 3401 as stated above and withhold the correct amount of all applicable taxes.

**Spending Unit's  
Response:**

The WVCA agrees with this finding. See Appendix A page 71.  
The WVDA response has been included in Appendix B page 76.

**Finding 16**

**Lack of Documentation**

**Condition:**

**Sick and Annual Leave**

In ten out of ten instances the WVCA did not maintain sufficient documentation for sick and annual leave. For all ten employees we found instances in which we could not find supporting documentation for sick or annual leave requests. Additionally, we found three employees out of ten (30%) did not have any documentation for annual leave taken during our audit period. As a result we were unable to determine if prior approval for annual leave was received.

**Miscellaneous Expenditures**

We found insufficient supporting documentation was provided for one of 44 (2.3%) transactions. The transaction failed to meet the requirements of agreement 1071 by not containing the final engagement report and an individual set of work papers. Further, the WVCA could not provide us with any documentation stating the final engagement report and a set of work papers were provided to the State Conversation Committee (SCC). We were unable to determine compliance with agreement 1071.

**Cash Disbursements-Reimbursements**

During our test of the reimbursement portion of the cash disbursements test insufficient supporting documentation was provided for four of the five (80.0%) transactions tested. For two transactions, we could not determine if the deposit was made within 24 hours. For one transaction, we could not determine if the proper object code was used. For one transaction we could not determine if the deposit was made within 24 hours or if the proper object code was used.

**Criteria:**

WVDA Policies and Procedures Manual 8.1e states in part:

“Employees shall make all annual leave requests in writing...”

WVDA Policies and Procedures Manual 8.2g states in part:

“Sick leave forms must be submitted during the first working day the employee returns to work.”

WV Code §5A-8-9, as amended, states in part:

“...The head of each agency shall:

**...(b) Make and maintain records containing adequate and proper documentation** of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to

protect the legal and financial rights of the state and of persons directly affected by the agency's activities...."

WV Code §12-2-2 (a), as amended, states in part:

...shall deposit within twenty-four hours with the State Treasurer all moneys received or collected by them..."

Agreement 1071-02 CD Responsibilities #4:

"Provide SCC a copy of the final engagement report and one [1] set of work papers as soon as received from the Auditing firm."

WVCA Mail Procedures states in part:

"The Administrative Services Assistant I receives the mail at the WVCA, opens, and date stamps all mail not marked confidential or personal..."

**Cause:**

For annual leave, the Administrative Services Assistant I stated employees send an email request to their immediate supervisor. No form is required to be filled out by the employee and the supervisors have not maintained sufficient records of the leave emails received by employees.

The WVCA Administrative Services Assistant I stated employees call their immediate supervisor to inform them of their absence for sick leave. No form is required to be filled out upon their return to work. For annual leave, the employees send an email request to their immediate supervisor. No form is required to be filled out by the employee and the supervisors have not maintained sufficient records of the leave emails received by employees. The WVDA's Assistant Personnel Director/EPICS Payroll/Benefits stated the WVDA requires all employees to fill out a WVDA Application for Leave form. She stated all WVDA divisions use the leave form and she was unaware the WVCA was no longer using the form. We received a leave request form from the Assistant Personnel Director/EPICS Payroll/Benefits and asked the Administrative Services Assistant I if the WVCA uses those forms. The Administrative Services Assistant I stated the WVCA stopped using the WVDA leave request forms when they switched to a paperless time-keeping system in February 2007. The Administrative Services Assistant I provided us with an email from the former IS Manager of the WVCA, stating the Fair Labor Standards Act record-keeping requirements would not keep them from using their new time-keeping system as official documentation of recorded leave.

At the time this transaction took place, the agency failed to comply with the requirements of Agreement 1071. The reports were presented to the district board only during this time. The WVCA now requires the engagement report to be presented to the State Conservation Committee.

The WVCA Fiscal Services Manager was unable to supply documentation for the transactions in our test of reimbursements in the cash disbursements test.

**Effect:**

We cannot determine if leave was accurately maintained and approved prior to use for WVCA employees. Employees could potentially abuse the leave system and use leave in excess of their accrued leave balance.

If personnel documentation is not maintained, it is possible the incorrect amount of pay could be paid to employees.

When receipts are not properly documented or when the supporting documentation is not maintained by the agency, there is an increased risk for fraud, abuse, misappropriation, or theft. In addition, the lack of daily deposits results in lost interest earnings for the State.

**Recommendation:**

We recommend the WVCA comply with WV Code §5A-8-9 (a) and (b), and §12-2-2 (a). We recommend the WVCA comply with WVDA Policies and Procedures Section 8.1e, and 8.2.g ; Agreement 1071 and the WVCA mail procedures. We recommend the WVCA maintain adequate records as required, and the use of the WVDA TimeTrex online leave system.

**Spending Unit's  
Response:**

The WVCA agrees with this finding. See Appendix A page 71.  
The WVDA response has been included in Appendix B page 76.

**Finding 17****Receipts Not Deposited Within 24 Hours****Condition:****Miscellaneous Reimbursements**

The population consisted of 21 transactions totaling \$307,760. We tested all 21 and found 14 (66.7%) transactions were not deposited within 24 hours. The number of day ranged from two days to a maximum of 24 days. These instances are described in further detail in the table below.

#	Document Id #	Date Received Per Mail Log	Date Deposited	Difference	Amount
1	D001557979	6/16/2009	7/21/2009	24	\$ 2,198
	D001557979	7/07/2009	7/21/2009	10	291
2	D001559165	7/22/2009	7/24/2009	2	6,057
3	D001560011	7/23/2009	7/28/2009	3	456
4	D001561269	7/28/2009	7/31/2009	3	21
	D001561269	7/28/2009	7/31/2009	3	2,598
5	D001563360	7/30/2009	8/07/2009	6	1,884
	D001563360	8/03/2009	8/07/2009	4	2,372
	D001563360	8/04/2009	8/07/2009	3	2,438
6	D001565403	8/11/2009	8/14/2009	3	162
7	D001572224	9/02/2009	9/08/2009	3	55
8	D001577440	9/21/2009	9/25/2009	4	151
9	D001589961	10/30/2009	11/05/2009	4	312
10	D001597183	12/01/2009	12/03/2009	2	3,000
11	D001619520	2/18/2010	2/23/2010	3	941
12	D001628064	3/17/2010	3/23/2010	4	115,000
13	D001643958	5/10/2010	5/14/2010	4	10
14	D001650158	6/02/2010	6/04/2010	2	25,000
				<b>Total</b>	<b><u>\$162,946</u></b>

**Cash Disbursements-Reimbursementsv**

The population consisted of five transactions totaling \$659. We tested all transactions and noted one transaction (20%) totaling \$76 was not deposited within 24 hours.

**Criteria:**

West Virginia Code §12-2-2, as amended, states in part:

“(a) All officials and employees ...shall deposit within twenty-four hours with the State Treasurer all moneys received or collected...”

**Cause:**

The Fiscal Services Manager stated she was unaware of WV Code Section §12-2-2 requiring funds to be deposited within twenty-four hours of receipt.

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

**Recommendation:** We recommend the WVCA comply with West Virginia Code §12-2-2 and deposit all checks and/or cash within 24 hours of receipt.

**Spending Unit's Response:** The WVCA agrees with this finding. See Appendix A page 72.  
The WVDA response has been included in Appendix B page 76.

**Finding 18**

**Misclassified Expenditures**

**Condition:**

**Grants**

We tested eight transactions (42.1%) totaling \$167,495 out of a population of 19 transactions totaling \$326,300 and noted six instances (75%) where incorrect object codes were used. These instances are described in further detail in the table below. We are 95% confident, if our sample holds true to the entire population, 9 to 17 transactions, or 47.4% to 89.5% would have been misclassified.

<u>Description</u>	<u>Object Code Used</u>	<u>Audited Object Code</u>	<u>Amount</u>
US Geological Survey Agreement	083-Grants, Awards, Scholarships, and Loans	025-Contractual and Professional	\$ 33,125
Payment for Agreement 1160	083-Grants, Awards, Scholarships, and Loans	025-Contractual and Professional	13,910
Payment for Agreement 1160	083-Grants, Awards, Scholarships, and Loans	025-Contractual and Professional	13,910
Payment for Agreement 1162	083-Grants, Awards, Scholarships, and Loans	025-Contractual and Professional	6,521
Payment for Agreement 1162	083-Grants, Awards, Scholarships, and Loans	025-Contractual and Professional	4,527
US Dept. of Agriculture Agreement	083-Grants, Awards, Scholarships, and Loans	025-Contractual and Professional	90,000
<b>Total</b>			<b><u>\$161,993</u></b>

**Assets**

We tested 20 assets transactions (40.8%) totaling \$173,068 out of a population of 49 asset transactions totaling \$211,611, including reimbursements and corrections, and noted five instances (25%) where incorrect object codes were used. These instances are described in further detail in the table below. We are 95.0% confident, if our sample holds true to the entire population, 6 to 21 transactions, or 12.2% to 42.9% would have been misclassified.

<u>Description</u>	<u>Object Code Used</u>	<u>Audited Object Code</u>	<u>Amount</u>
Video Conferencing Equipment	058-Misc. Equipment Purchases	054-Computer Supplies and Equipment	\$13,364
Computer Equipment	058-Misc. Equipment Purchases	054-Computer Supplies and Equipment	11,207
Maintenance and Support Services	054-Comp. Supplies and Equipment	027-Computer Services	8,356
Voice Over Internet Protocol Support	054-Computer Supplies and Equipment	027-Computer Services	2,860
Voice Over Internet Protocol Support	054-Computer Supplies and Equipment	027-Computer Services	2,860
<b>Total</b>			<b><u>\$38,647</u></b>

### P-card

We tested 164 P-card transactions (16.4%) totaling \$60,200 out of a population of 998 P-card transactions totaling \$204,005, including reimbursements and corrections, and noted 22 instances (13.4) where incorrect object codes were used. These instances are described in further detail in the table below. We are 95.0% confident, if our sample holds true to the entire population, 90 to 190 transactions, or 9.0% to 19.0% would have been misclassified.

<u>Description</u>	<u>Object Code Used</u>	<u>Audited Object Code</u>	<u>Amount</u>
Copies (charged rate per copy)	038-Routine Maintenance Contracts and Warranties	030-Rentals Machines and Misc.	\$ 19
Bolt Cutter	051-Miscellaneous	058-Misc. Equipment Purchases	39
External Hard Drives	058-Misc. Equipment Purchases	054-Computer Supplies and Equipment	2,364
Supervisor Name Tag	020-Office Expenses	051-Miscellaneous	8
Towing Service	065-Vehicle Repairs	025-Contractual and Professional	165
Jugs of Water	023-Utilities	033-Food Products	20
Copies (charged rate per copy)	038-Routine Maintenance Contracts and Warranties	030-Rentals Machines and Misc.	126
WVCA Employee Name Tag	020-Office Expenses	051-Miscellaneous	26
Return of Printer	058-Misc. Equipment Purchases	054-Computer Supplies and Equipment	(99)
<b>Blackberry Case**</b>	<b>024-Telecommunications</b>	<b>051-Miscellaneous</b>	<b>29</b>
<b>Cell Phone Accessories**</b>	<b>041-Cellular Charges</b>	<b>051-Miscellaneous</b>	<b>25</b>
<b>Cancellation of Training**</b>	<b>038-Routine Maintenance Contracts and Warranties</b>	<b>052-Training and Development</b>	<b>(99)</b>
Copies (charged rate per copy)	038-Routine Maintenance Contracts and Warranties	030-Rentals Machines and Misc.	41
Copies (charged rate per copy)	038-Routine Maintenance Contracts and Warranties	030-Rentals Machines and Misc.	1,208
Jugs of Water	023-Utilities	033-Food Products	20
<b>Return of Clamp for Sensor**</b>	<b>065-Vehicle Repairs</b>	<b>058-Misc. Equipment Purchases</b>	<b>(81)</b>
Copies (charged rate per copy)	038-Routine Maintenance Contracts and Warranties	030-Rentals Machines and Misc.	139
Server Cabinet	058-Misc. Equipment Purchases	054-Computer Supplies and Equipment	2,480

<u>Description</u>	<u>Object Code Used</u>	<u>Audited Object Code</u>	<u>Amount</u>
Camcorders Given to Watershed Participants	058-Misc. Equipment Purchases	051-Miscellaneous	\$ 1,884
Ink & Shipping	020-Office Expenses	020-Office Expenses & 053-Postal and Freight	2,281
<b>Blackberry Accessory**</b>	<b>041-Cellular Charges</b>	<b>051-Miscellaneous</b>	<b>157</b>
Ink & Computer Equipment	054-Computer Supplies and Equipment	020-Office Expenses & 054-Computer Supplies and Equipment	<u>1,110</u>
<b>Total*</b>			<b><u>\$12,420</u></b>

\*This total represents a sum of the absolute value of amounts to better represent the amount misclassified

\*\*Items bolded were incorrectly changed by the WVDA. The WVCA used the correct object code prior to processing by the WVDA.

### Repairs and Alterations

We tested five repairs transactions (31.3%) totaling \$21,843 out of a population of 16 transactions totaling \$23,369, including corrections and reimbursements, and noted two instances (40.0%) where incorrect object codes were used. These instances are described in further detail in the table below. We are 95.0% confident, if our sample holds true to the entire population, 2 to 11 transactions, or 14.3% to 78.6% would have been misclassified.

<u>Item</u>	<u>Object Code Used</u>	<u>Audited Object Code</u>	<u>Amount</u>
Gas Card-ARI	036-Vehicle Operating Expense	044-Energy Expense Motor Vehicles/Aircraft	\$3,120
Gas Card-Exxon	036-Vehicle Operating Expense	044-Energy Expense Motor Vehicles/Aircraft	<u>6,521</u>
<b>Total</b>			<b><u>\$9,641</u></b>

### Travel

We tested 150 transactions (5.6%) totaling \$65,154 out of a population of 2,694 transactions totaling \$636,726, including corrections and reimbursements, and noted one instance (0.7%) where the WVCA failed to use the correct object code to allocate expenses. This instance had two separate misclassification issues as described in further detail in the table below. We are 95.0% confident, if our sample holds true to the entire population, 1 to 96 transactions, or 0.04% to 3.6% would have been misclassified.

<u>Description</u>	<u>Object Code Used</u>	<u>Audited Object Code</u>	<u>Amount</u>
Meal	326-In State Travel	526-Taxable Meal	\$ 82
Travel	526-Taxable Meal	326-In State Travel	<u>45</u>
<b>Total</b>			<b><u>\$127</u></b>

**Criteria:**

West Virginia Expenditure Schedules Object Codes states in part:

**"020 - Office Expenses:** Those supplies normally used in the operation of an office and are primarily considered expendable in nature..."

**"025 - Contractual and Professional:** Services performed by individuals or firms considered to be professional or semiprofessional in nature..."

**"027 - Computer Services:** Charges for computer services by IS&C, WVNET, State Auditor's Office, legislative computer system, or any other authorized entity for contractual or professional support services for computers and software..."

**"030 - Rentals (Machines & Miscellaneous):** Rental of data processing equipment, computers, printers, copying machines..."

**"033 - Food Products:** For purchase of food and food products from the Department of Agriculture - Land Division or from public vendors...Also includes purchase of bottled water."

**"044 - Energy Expense Motor Vehicles/Aircraft:** Expenditures for petroleum supplies purchased to operate motor vehicles... Includes gasoline..."

**"051 - Miscellaneous:** ...those supplies or services which cannot be classified under any other object code."

**"052 - Training & Development:** All costs that are associated with the training, development, and education of an employee..."

**"053 - Postal and Freight: Postal:** ...**Freight:** Charges for either shipping or receiving material. This will include courier service charges, motor freight, air freight and other express charges..."

**"054 - Computer Supplies and Equipment:** Lines, cable, connector, packaged computer software and licenses, computer hardware, modem, CD ROM, printers, scanners, computers (includes laptops), monitors, and other computer supplies (Less than \$5,000 each.)"

**"058 - Miscellaneous Equipment Purchases:** All purchases of equipment less than \$5,000. Does not include computer-related equipment..."

WVDA Extended Object Code Descriptions states in part:

"...Travel 326 (In-State Travel) 426 (Out-of-State Travel) 526 (Taxable Meal Reimbursements)..."

**Cause:** According to the WVCA Fiscal Services Manager, the incorrect object codes related to grants, assets, repairs, and travel expenses were used due to human error.

For the P-card transactions the WVCA Fiscal Manager stated transactions with object code 038 and 020 were used for copier rentals and name tags, respectfully, because the object code has historically been used by the agency. Item number 2, the bolt cutter, was considered a disposable item and therefore not placed in 058 Miscellaneous Equipment Purchases. Item #18 was not placed in 054 Computer Supplies and Equipment because this item was not a computer. The camcorders were believed to be Miscellaneous Equipment. The other items except those changed by the WVDA were human error.

**Effect:** By classifying expenditures under the incorrect object code, annual budgeted amounts could be affected.

**Recommendation:** We recommend the WVCA and WVDA comply with West Virginia Expenditure Schedule Object Instructions and the WVDA Extended Object Code Descriptions by placing each transaction in the correct object code. We also recommend the WVCA and WVDA ensure all staff involved in coding transactions are familiar with the aforementioned criteria.

**Spending Unit's  
Response:**

The WVCA agrees with this finding. See Appendix A page 72.  
The WVDA response has been included in Appendix B page 77.

**Finding 19**

**Amounts not in Compliance with Travel Regulations**

**Condition:**

We tested 150 travel transactions (5.6%) totaling \$65,154 out of a population of 2,694 totaling \$636,726, including reimbursements and corrections, and noted 31 instances (20.7%) totaling \$2,378 where employees claimed miles in an amount in excess of the Mapquest.com quoted distance. We also noted many forms where employees did not provide a specific location. The incorrect amount ranged from 27 miles to a maximum of 914.

We are 95% confident, if our sample holds true to the entire population, 427 to 788 transactions, or 15.9% to 29.3%, would have amounts not in compliance with government regulations.

**Criteria:**

WVDA Travel Policy and Procedures Chapter 20.1 states in part:

“...exercise the care and judgment of a prudent person traveling for personal reasons. **Travel on business must be conducted at a minimum cost for achieving success of the mission.**”

WVDA Travel Policy and Procedures Chapter 20.6c states in part:

“It is the responsibility of the approving official to review and approve employee’s expense accounts ...”

**Cause:**

The WVCA Fiscal Services Manager stated they have historically processed mileage reimbursements with the words “and area” and “and vicinity”.

**Effect:**

Since the WVCA did not verify the mileage claims of employees the WVCA paid out mileage claims in excess of the amounts actually necessary. Also, since some employees are not itemizing each location visited, the WVCA is unable to determine if the mileage claim is unreasonable or not, and therefore, the possibility exists for potential abuse by the employee.

**Recommendation:**

We recommend the WVCA comply with WVDA Travel Policy and Procedures Chapter 20.1 and Chapter 20.6c as stated above by requiring a daily location list which includes a stop-by-stop report from any individual with a mileage reimbursement claim. We also recommend the WVCA compare quoted distance to distance claimed for reasonableness and verify all mileage claims before reimbursement.

**Spending Unit’s**

**Response:**

The WVCA agrees with this finding. See Appendix A page 71.  
The WVDA response has been included in Appendix B page 76.

**Finding 20**

**Incorrect Reimbursement on a Stream Restoration Project**

**Condition:**

We tested 150 travel transactions (5.6%) totaling \$65,154 out of a population of 2,694 totaling \$636,726, including reimbursements and corrections, and noted one instance (0.7%) where the WVCA received an incorrect reimbursement for travel expenses incurred on a stream restoration project. The WVCA invoiced Consol Energy in the amount of \$14,146 for travel expenses. The WVCA should have invoiced \$9,214 for travel costs, a difference of \$4,931.

**Criteria:**

McElroy Stream Restoration Project Survey and Design Agreement 1169-00 states in part:

“Consol Energy Fiscal Requirements: Provide 50% of funds to SCC/WVCA within 45 days upon receipt of invoice for survey and design.”

“SCC Fiscal Requirements: Prepare and submit invoice to Consol Energy for 50% of the survey and design cost.”

**Cause:**

The WVCA Fiscal Services Manager stated this was human error. Some amounts were not transferred in the spreadsheet and the vendor was billed at the full value rather than the 50% as required.

**Effect:**

This could cause undue hardship on the vendor and possibly cease the relationship between the State and the vendor.

**Recommendation:**

We recommend the WVCA comply with the requirements set forth in Agreement 1169-00. We also recommend the WVCA implement policies and procedures to more effectively allocate travel expenses to specific jobs when there is a contract in place for reimbursement of expenses or any other type of cost sharing agreement.

**Spending Unit's**

**Response:**

The WVCA agrees with this finding. See Appendix A page 72.





**WEST VIRGINIA CONSERVATION AGENCY  
JULY 1, 2009 – JUNE 30, 2010**

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**APPENDIX A  
WVCA RESPONSES**

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West Virginia Conservation Agency Response to Legislative Audit  
August 3, 2012

**Finding 1: Lack of Oversight of Conservation District Programs**

**SPRP (Stream Protection and Restoration Program):** During the audit period the WVCA did not have sufficient policies and procedures in place to assure that all SPRP project contract files were in a central, dedicated location. Additionally, staff and management were not assigned to specifically monitor the contract files to ensure that all relevant documents were either placed in the “official file” or that all steps of the contract process were adequately documented in writing. The agency was focused more on the quantity of on-the-ground work being performed without all administrative duties being adequately documented. That approach resulted in incomplete contract documentation and some documentation retained in staff’s files without being placed in an official file.

The agency is currently reviewing a draft *Standard Operating Procedures: Maintaining the Official Project Contract File*, that is designed to address contracting issues noted in the audit. This policy will be in effect by October 2012.

This policy is to ensure that file documentation is prepared, reviewed and retained with the original file kept in the conservation district office.

The WVCA has also made managerial staffing adjustments in the stream section to ensure that field staff is familiar with and understands the importance of proper SPRP file documentation.

The agency has also taken steps to improve its communication with the 14 conservation districts to explain SPRP program operations and to clarify that SPRP is only for non-emergency related stream blockages. This has aided in field identification and appropriate district board implementation.

**EWP (Emergency Watershed Program):** During the audit period the WVCA did not have sufficient policies and procedures in place to assure that all EWP project contract files were in a central, dedicated location. Additionally, staff and management were not assigned to specifically monitor the contract files to ensure that all relevant documents were either placed in the “official file” or that all steps of the contract process were adequately documented in writing. The agency was focused more on quantity of on-the-ground work being performed without all administrative duties being adequately documented. That approach resulted in incomplete contract documentation and some documentation retained in staff’s files without being placed in an official file.

The agency is currently reviewing a draft *Standard Operating Procedures: Maintaining the Official Project Contract File*, that is designed to address contracting issues noted in the audit. This policy will be in effect by October 2012.

This policy is to ensure that file documentation is prepared, reviewed and retained with the original file kept in the conservation district office.

The WVCA has also made managerial staffing adjustments in the stream section to ensure that field staff is familiar with and understands the importance of proper EWP file documentation.

The agency has also taken steps to improve its communication with the 14 conservation districts to explain EWP program operations and to clarify that EWP is only for a gubernatorial or a presidential-declared emergency related to stream blockages.

**Lime:** This program was created in 2005 based on an increase in funding to the WVCA's budget. The program has been inconsistently implemented across the state's 14 conservation districts -- a finding validated by the audit. It should be noted that the WVCA does not make or authorize any direct payments to the agricultural producers, who file cost-share applications with the districts. Payments are approved by and paid by the local conservation districts.

As of July 1, 2012, the lime program was incorporated into the new Agricultural Enhancement Program. The AgEP will operate with standardized procedures to ensure accountability and to provide consistency between districts across the state.

**O&M:**

The section's name has been changed since the audit review period to Operation, Maintenance and Repair (OM&R) in recognition of the program's changing role.

The agency is currently reviewing a draft *Standard Operating Procedures: Maintaining the Official Project Contract File*, that is designed to address contracting issues noted in the audit. This policy will be in effect by October 2012.

This policy is to ensure that file documentation is prepared, reviewed and retained with the original file kept in the conservation district office.

The WVCA currently has a supervisor vacancy in the OM&R section's Romney field office. When this position is filled, one of the supervisor's key duties will be to ensure that field staff is familiar with and understands the importance of proper OM&R file documentation.

During the audit review period, the WVCA did not have a contract specialist dedicated to the OM&R program but rather used the services of the Romney-based OM&R supervisor to conduct pre-bid job showings in the districts for maintenance work required on dam structures.

Local sponsors (county or municipal governments and others) have, on occasion with district consent, performed maintenance activities as an in-kind contribution toward their cost share responsibility.

Local sponsors' matching funds were also matched with state funds; however, account funds often were allowed to grow to provide enough financial capacity to cover more expensive or emergency maintenance issues for which one year's match would be insufficient.

Regarding the Cause noting how districts used Stantec Consulting Services without a competitive bidding process, the following is provided:

- For a conservation district to engage the services of an Architectural/Engineering consultant, the district must first file an Expression of Interest known as an EOI. This notice requests that A/E consultants submit their company's resume to the district for consideration. Submitted resumes are paneled and determined to be eligible based on the A/E capacity to perform the district's engineering needs. After ranking, the consultants are interviewed and the top candidate firm is selected to then negotiate capability to meet the district's needs and to discuss cost rates. This is the process used by the consulting industry and they do not participate in the "typical" competitive bidding process.

### **Finding 2: Operating a Nonprofit with State Funds without Authority**

The State Conservation Committee filed papers with the West Virginia Secretary of State's office on October 12, 1993, to incorporate the West Virginia Conservation Awards Council as a 501-C-3 corporation. The Council recognizes agricultural conservation efforts in the state, and traces its roots to the mid-1950s.

Council operation funds are generated by registration fees to the annual Partnership Conference and through contributions and advertisements in conference materials. The SCC, through the WVCA, provides administrative assistance to the Council.

The SCC/WVCA disagrees with the recommendation that the Council be dissolved. The SCC/WVCA relies on a November 2011 communication with the state Attorney General's office that states:

- An agency of the state can create a non-profit corporation.
- The Council meets the SCC/WVCA mission, as spelled out in W.Va. Code §§19-21A-4(g)6 and 19-21A-2(d), to encourage and honor individuals, teams and organizations for their contributions to preserving West Virginia's soil, water and agricultural resources.

### **Finding 3: Improper Expenditures \_ WVU Extension Service Barns**

The State Conservation Committee endorsed separate agreements covering the construction of multipurpose buildings for WVU's Extension Service.

The Jackson's Mill multipurpose building agreement was approved in December 2008 and was amended annually until it expired on June 30, 2012.

The Reedsville multipurpose building agreement was approved in June 2006 and was amended annually. WVU terminated this agreement on September 8, 2011.

Funding for the construction of the multipurpose buildings was provided by WVU Extension Service.

**Finding 4: Non-Compliance with West Virginia Code – District Audits.**

West Virginia Code §19-21A-7(f) (3) says district supervisors shall “provide for an annual audit of the accounts of receipts and disbursements.”

Currently the WVCA provides a Request for Quotation format detailing the tests that should be performed in an agreed upon procedures engagement on an annual basis.

The annual tests focus on the higher risk areas of disbursements, bank accounts (including CDs), and fixed assets. The WVCA also feels the testing maintains the spirit of the law in providing for “an annual audit of the accounts of receipts and disbursements.”

At the recommendation of the audit report, the WVCA may seek legislative action to greater define the audit process contemplated in §19-21A-7(f) (3).

The required tests/reviews now included in district reviews include:

1. Inquire regarding the need for a Single Audit in accordance with OMB Circular A-133.
2. Examine canceled checks for authorized signatures and endorsement by payee, if provided by bank.
3. Inquire regarding whether the district has fidelity bonding, surety bonding in accordance with WV Code Section 19-21A-7, and collateralization of state funds in accordance with WV Code Section 12-1-4 and 12-1-5.
4. Provide recommendations regarding data processing efficiencies, internal controls, and segregation of duties as identified during the course of performing the procedures identified in the scope of the engagement.
5. Review cash receipt and disbursement procedures and provide recommendations.
6. Scan the detail expenditure listing for any items that do not appear reasonable.
7. Scan the detail receipts listing for any items, which do not appear reasonable.
8. Select (30 or 25 percent, whichever is greater) check disbursements from the detail expenditure listing and determine that the disbursement is properly recorded, an invoice supports the expenditure, and the purchase order is properly approved. Review the check register for voided or missing checks.
9. Select (30 or 25 percent, whichever is greater) deposit receipts from the detail receipts listing and determine that the receipt is properly recorded, completed in full and deposited to the bank. Review the cash receipt book for items that do not appear reasonable.
10. Select (30 or 25 percent, whichever is greater) payroll transactions from the payroll transactions and determine that the payroll is properly processed, recorded, completed in

full according to federal and state tax laws. Review the transactions for any items that do not appear reasonable.

11. Select (30 or 25 percent, whichever is greater) fixed assets from the asset list and determine that the asset exists and has not been impaired. All assets valued greater than \$10,000 must be include as part of the test. Review the transactions for any items that do not appear reasonable.
12. Determine that the bank statements at June 30 have been reconciled to the general ledger account balance, and perform aging of reconciling items and review for unusual items such as reportable unclaimed property.
13. Determine all Certificates of Deposit are properly reconciled, including posted interest.
14. Verify physical possession of original certificate for all currently held Certificates of Deposit.
15. Send positive confirmation to holding institution for all Certificates of Deposits to verify amount, is active, and is in the name of the Conservation District.
16. Determine that transactions are properly recorded and accounted for to:
  - A. Permit the preparation of reliable financial statements and reports.
  - B. Maintain accountability over assets, such as depreciation and updated asset list.
  - C. Demonstrate compliance with laws, regulations, and other compliance requirements.
17. Determine that transactions are executed in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a program.
18. Determine that funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

#### **Finding 5: Prior Approval of Overtime**

WVCA has adopted a policy that requires written pre-approval for all regular and emergency related overtime expenses. The written approval includes the employee's name, period when overtime is anticipated and the work assignment that justifies the cash overtime payment. The overtime request memo is prepared by the appropriate division director and requires the signatory approvals of both the WVCA executive director and West Virginia Department of Agriculture commissioner. The memo becomes a record for the WVCA timekeeper and WV Department of Agriculture payroll processing staff and is kept with the employee's permanent time records.

#### **Finding 6: Non-Compliance with Agreement**

WVCA has adjusted its accounts payable processing to ensure that all necessary documentation is provided prior to any payments being disbursed related to active agreements. In addition, WVCA will provide copies of all invoices provided under agreements along with the corresponding documentation at the subsequent State Conservation Committee meeting as an informative update.

An agreement with WVU Extension Service relating to the cost-share of an agricultural engineer was modified and presented to the State Conservation Committee in April 2012. The revised

agreement states that WVU Extension Service will not be reimbursed for salary expenses unless the request for payment is accompanied by a report outlining services rendered during the invoice period.

**Finding 7: Not Properly Accounted for Assets.**

The three instances in which items were not entered into the Fixed Asset System have been corrected and all assets have been entered.

The three instances in which items were not entered correctly in the WVFIMS fixed asset system have been corrected.

The two instances in which items had been entered into the fixed asset system twice have been corrected with the duplicate items being deleted from the system. Policies and procedures have been developed and implemented to mitigate future errors. This includes having asset tags on hand to apply to assets when they are received and before the asset is assigned to an individual.

The WVCA's inventory receiving and control process has been modified so now an individual not involved in the procurement process receives all goods, tags the items meeting WVFIMS reporting criteria, and then provides the asset information to the WVDA for entry.

WVFIMS records are also now randomly checked to asset information such as serial number for verification.

The WVCA completed a physical inventory in the spring of 2012 that included verification of the existence of assets both physically and on WVFIMS along with verification of serial numbers.

It should also be noted the WVCA does not have WVFIMS entry rights for any type of transactions including fixed assets and purchasing (invoice) documents. All processing is completed by WV Department of Agriculture staff. These extra steps and time increase the chances for exclusion and errors.

**Finding 8: Missing Inventory and Asset Tags**

A physical inventory was completed in the spring of 2012 to locate missing assets and to apply tags to assets missing inventory tags. Most of the assets identified as missing in the audit test were found. Items not located are in the process of being reported on WVFIMS as lost.

Policies and procedures have been developed and implemented to mitigate future errors. This includes having asset tags on hand to apply to assets when they are received and before the asset is assigned to an individual.

The WVCA's inventory receiving and control process has been modified so now an individual not involved in the procurement process receives all goods, tags the items meeting WVFIMS reporting criteria, and then provides the asset information to the WVDA for entry.

**Finding 9: Stringing P-Card Purchases**

The WVCA is now complying with the WV State Auditor's Office P-Card Policies and Procedures. A system also has been put in place that provides numbered request forms to ensure that each form can be tracked and audited against what is received.

**Findings 10-11: Inadequate Segregation of Duties and Lack of Approval**

WVCA has made several adjustments to ensure the segregation of duties.

Purchases are finalized by the procurement officer and an administrative services assistant (#1). The fiscal services manager serves as emergency backup for P-Card purchases. The executive assistant finalizes purchases exclusively related to State Conservation Committee meeting supplies and hospitality items. An Administrative services assistant (#2) outside of the purchasing role serves as the receiver and inventory/asset assignment coordinator to ensure segregations of duties and to address Findings 7&8.

The Fiscal services manager audits and reconciles all purchases finalized by the Procurement officer and the Administrative services assistant (#1). Any P Card purchases finalized by the Fiscal services manager are audited and reconciled by WV Department of Agriculture's Purchasing Officer.

No purchase of any goods and/or services is finalized without an approved request form. All request forms require the signature of the requestor, their immediate supervisor and the assistant division director. The division director provides signature approval for purchases of \$1,000 or more. Purchases in excess of \$2,500 require the signatures of both the division director and the executive director.

The fiscal services manager provides fiscal approval and funding codes for payment while the procurement officer approves that the purchase is allowable to a state agency, that the vendor is approved to engage in state business, and that the appropriate purchasing documentation and/or processes have been addressed prior to the purchase finalization. This document is necessary regardless of the type of purchase – invoice, P-Card or IGT payment.

Policies and procedures have been developed and implemented to mitigate future errors. This includes having asset tags on hand to apply to assets when they are received and before the asset is assigned to an individual.

The WVCA's inventory receiving and control process has been modified so now an individual not involved in the procurement process receives all goods, tags the items meeting WVFIMS reporting criteria, and then provides the asset information to the WVDA for entry.

WVFIMS records are also now randomly checked to asset information such as serial number for verification.

The WVCA completed a physical inventory in the spring of 2012 that included verification of the existence of assets both physically and on WVFIMS along with verification of serial numbers.

**Finding 12: Incorrect Retirement Pay**

All payroll and benefits are processed and finalized by the WV Department of Agriculture. The WVCA has addressed this by adopting a new electronic time and attendance reporting system. The system provides real-time leave balances. The WVCA's HR specialist will have sufficient information to address removal from payroll for staff that have exhausted their leave but are not working.

**Finding 13: Internal Control Weakness**

WVCA discontinued using the Exxon credit card on February 10, 2012. All fuel is now purchased using the ARI credit card that requires the input of the mileage at point of sale.

**Finding 14: Failure to Use Statewide Contracts**

WVCA will comply with statewide contract purchasing when applicable. The WVCA's new procurement officer has been made aware of the requirement and will finalize purchases for goods and/or services as required by these contracts where applicable.

**Finding 15: Failure to Withhold Tax from Per Diem Payments**

The WV Department of Agriculture finalizes all per diem payments. The WVCA processes per diem paperwork.

**Finding 16: Lack of Documentation**

WVCA adopted the TimeTrex time and attendance system in January 2012. This system provides real-time electronic documentation of work schedules; sick and annual leave requests and balances; compensatory and overtime approvals, accruals and usages. This system requires electronic approvals from employee, immediate supervisor, assistant division director, division director and executive director as appropriate.

All payments are submitted and finalized by the WV Department of Agriculture for processing through the WVFIMS and are paid from the WV State Auditor's Office.

All checks payable to WVCA are recorded in a mail tracking system with deposits made to the WV Department of Agriculture within 24 hours. The Department of Agriculture finalizes the deposit into the account as identified by WVCA.

**Finding 17: Receipts Not Deposited Within 24 Hours**

The WV Department of Agriculture finalizes the deposits into the identified account and forwards deposit documentation to WVCA. Therefore, the WVCA will ensure that the required deposit and documentation will be hand delivered to the WV Department of Agriculture so funds can be deposited within one (1) business day. A copy of this documentation with time and date stamp will be retained by the WVCA.

**Finding 18: Misclassified Expenditures**

WVCA has made adjustment to use the recommended object code reclassifications as identified.

**Finding 19: Amounts not in Compliance with Travel Regulations**

During the audit period, employees would use the words “and vicinity” to cover multiple travel destinations during a single day’s travel. WVCA has adjusted its policy to require employees to provide detail on all Travel Expense Account Settlement (TEAS) forms that will adequately detail all points of destination during a day’s travel.

**Finding 20: Incorrect Reimbursement on a Stream Restoration Contract**

Due to an Excel spreadsheet formula error, WVCA overbilled costs on a stream restoration project. The payee will be contacted to determine how to best resolve the overbilling.

**Finding 21: Travel Forms Not Sent Timely to the WVDA**

Currently, the WVCA employs an administrative services assistant whose primary duty is the processing of Travel Expense Account Settlement (TEAS) forms. Internal procedures have been adjusted to ensure that all TEAS will be processed and submitted to WV Department of Agriculture for payment finalization within five business days. The WV Department of Agriculture finalizes payment.

TEAS for conservation district supervisors are submitted to WV Department of Agriculture per department guidelines. Per diem for conservation district supervisors is submitted to the WV Department of Agriculture bi-monthly no later than two days after each pay date.

**WEST VIRGINIA CONSERVATION AGENCY  
JULY 1, 2009 – JUNE 30, 2010**

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**APPENDIX B  
WVDA RESPONSES**

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**West Virginia Department of Agriculture  
Administrative Services Division  
Response to Audit Findings RE:  
West Virginia Conservation Agency  
July 1, 2009 – June 30, 2010**

*Items marked 'No Response' are internal to the West Virginia Conservation Agency (WVCA) and are not impacted by the West Virginia Department of Agriculture (WVDA) Administrative Services Division (ASD) or cannot be affected by any WVDA Administrative Services Division operational changes.*

**Finding 1.** Lack of Oversight – No response

**Finding 2.** Conservation Awards Council – No response

**Finding 3.** District Audits – No response

**Finding 4.** WVU-ES Barns – No response

**Finding 5.** Unapproved OT – The TimeTrex online timekeeping system utilized by WVDA since May, 2009 was implemented for WVCA employees on January 1, 2012. While the online system is maintained by WVDA, the WVCA organizational structure has been established in the system for its employees to allow the proper roll-up of information throughout the hierarchy. Use of the system allows for real-time of entry of hours worked then, subsequent review of the time by supervisory personnel. This will allow supervisors to more closely track actual employee time worked during the workweek, and make the necessary approvals if it appears overtime will be necessary, or require that the employee make the appropriate schedule adjustments to avoid overtime. This will provide a mechanism for compliance with WVDA Policies & Procedures requiring prior approval of overtime. ASD cannot comment on policies related to personnel processes or disciplinary actions, as those fall outside the division's areas of responsibility.

**Finding 6.** Noncompliance with Agreement – No response

**Finding 7.** Assets Not Properly Recorded – Since the audit period, WVDA ASD has taken various measures to address this issue. Properly capturing, recording and verifying fixed asset information in the FIMS Fixed Asset System requires coordinated efforts between WVDA and WVCA staff. Since the time period of the sampled transactions, WVDA Administrative Services has implemented several measures to quickly identify fixed assets in preparation for entry in the Fixed Asset System. The FIMS Potential Fixed Asset Report is consistently ran at the beginning of each month and reviewed by ASD staff. Additionally, a Crystal Report was developed to run against a specialized P-Card data warehouse established for WVDA (and WVCA) P-Card transactions to identify potential fixed assets which may have been paid by P-Card instead of a standalone FIMS invoice (thereby addressing a shortcoming of the mainframe Potential Fixed Asset Report). These two measures enable staff to quickly identify items that need to be tagged and entered in the Fixed Asset System. Further, since the audit period, WVDA has developed an in-house fixed asset database where WVDA ASD initially enters the potential fixed asset data. This database prints a coversheet that is then forwarded to the division receiving the asset (including WVCA) along with a tag. The division is then required to review the asset information, compare it against item(s) received, tag the item, then certify all information is correct (or note changes) and that the asset(s) has been tagged. Once the certified information is received back from the division

(WVCA), an entry is made in the FIMS Fixed Asset System. Use of this database enables Administrative Services to quickly catalog potential assets, track the initial processing of the asset and add additional pieces of data not in the FIMS Fixed Asset System (e.g. assigned user, etc.) in a timely manner.

During FY2012, extensive use was made of the FIMS data warehouse capabilities to download data from the Fixed Asset System for further analysis and comparison to the in-house fixed asset database. Being able to download the mainframe data into Excel, for example, allows for multiple sorting options to identify gaps in the tag number sequence, duplicate entries, and other data entry errors that could affect the quality of the official fixed asset records.

The Fixed Asset System and WVDA's in-house database data were used to prepare division-specific reports of agency assets during the FY2012 physical inventory process. WVDA Divisions as well as WVCA are responsible for identifying errors or items that could not be located.

It is the responsibility of WVCA staff to provide proper information for the payment and asset identification process. WVCA is responsible for comparing items received to the original order documentation, properly code the invoice for payment, review fixed asset information during the annual in-house review process and issue correcting information to WVDA as necessary to maintain data integrity.

**Finding 8. Missing Inventory** – As noted in the previous finding, WVDA ASD relies upon WVCA staff for the identification, verification and tagging of WVCA fixed assets. Processes have been implemented to better capture and verify data prior to entry in the Fixed Asset System to ensure the completeness and accuracy of the official fixed asset records. WVDA and WVCA have been working together to facilitate and improve this process. WVDA has provided WVCA a sequential block of asset tags to facilitate timely tagging of assets before items are distributed to the recipient.

**Finding 9. Stringing (P-Card)** – The mainframe P-Card reports and P-Card transaction data warehouse can be used to identify purchases in short timeframes from the same vendor, but there may not be sufficient transaction detail present to quickly assess whether or not the same items have been purchased. Also, some of the data is not available until after the completed card transactions have been posted in the STARS system.

Administrative Services relies upon WVCA staff to validate and post WVCA P-Card transactions and to notify WVDA Administrative Services of any incidents that would violate P-Card Policies and Procedures. WVDA can arrange for additional training to be provided to WVCA P-Cardholders on appropriate P-Card use in compliance with the State Auditor's P-Card Policies and Procedures.

**Finding 10. Segregation of Duties** – No response – WVDA Administrative Services does not have access to WVCA personnel's duty assignments to ascertain whether there is proper segregation of duties.

**Finding 11. Lack of Approval** – Reference response in Finding 9.

**Finding 12. Incorrect Retirement Pay** – End-of-employment payouts are processed by WVDA Administrative Services Division personnel during semi-monthly payroll processing. WVDA has implemented additional checks and balances since this audit period. Now, a form is completed to allow the Payroll Coordinator to list all information relating to the employee's compensation, end-of-employment leave balances and calculations to convert these balances into amounts due to the

employee. The individual preparing the calculations signs off on the sheet, and forwards it to a second staff member for review. After the second staff member reviews the documentation, the Payroll Coordinator makes the appropriate entries in the EPICS payroll system, and the second staff member performing the original check logs into EPICS and checks the data entered. The DoP annual increment policy has been reviewed to ensure compliance and proper calculation. Additionally, divisions are periodically reminded of the need to prepare proper paperwork to remove personnel from payroll in a timely when they leave employment or are out of leave.

**Finding 13.** Fuel Card Internal Controls – No response

**Finding 14.** SWC Usage -- Administrative Services can arrange for WVCA P-Cardholders and staff to receive additional training on appropriate transaction planning and processing in compliance with the State Purchasing Division Handbook and State Auditor's P-Card Policies and Procedures.

WVDA relies upon WVCA staff to properly initiate purchasing, P-Card, travel and other transactions in accordance with established policies and procedures. WVDA ASD reviews WVCA transactions when received for processing, and notifies WVCA staff immediately of any errors detected and provides advice on corrective actions.

**Finding 15.** Per Diem Tax W/H – As noted in the 'Cause' statement for this finding, the data sample which had instances of noncompliance relates to a time period prior to corrective action being taken. Effective January, 2010, a new policy was implemented whereby District Supervisors were notified of the taxability of the per diem payments and given the opportunity to consult their tax advisors and complete withholding forms. Any supervisor who did not return the form to claim withholdings was set up in the EPICS payroll system as "Single/0," meaning the maximum amount of withholdings are taken. As noted in the 'Cause' statement, this problem has been corrected.

**Finding 16.** Supporting Documentation – Reference explanation of new timekeeping system in response to Finding No. 5. This system also automatically calculates leave accruals and makes the appropriate deductions from leave balances when the employee initiates the request via their timesheet and the supervisor approves the request. The system tracks leave request and approval history and both can be viewed by the employee, supervisor, agency management or Payroll Coordinator.

**Finding 17.** Deposit of Revenue – WVDA Administrative Services can arrange for additional training to be provided to WVCA staff on the State Treasurer's Office Cash Receipts Handbook.

Due to agency processes and geographic location, it is sometimes difficult to comply with regulations requiring deposit of receipts within twenty-four (24) hours.

Additionally, WVDA Administrative Services relies upon WVCA to receive and secure cash receipts prior to the receipts being given to WVDA staff to prepare the deposit. Procedures have been implemented in WVDA ASD to log, endorse and secure cash receipts when received, then every effort is made to deposit funds as quickly as possible in compliance with WV Code and the associated State Treasurer's Office policies for state agencies. Further, the WVDA has a vault onsite at the Gus R. Douglass Agriculture Center to secure all liquid assets until they can be appropriately deposited with the State Treasurer's Office.

**Finding 18.** Misclassified Expenditures – WVCA staff assigned to review and code invoices in preparation for payment processing are provided the official listing of object codes from the State Budget Office at the beginning of each fiscal year.

WVDA Administrative Services relies upon WVCA staff to properly prepare transactions in accordance with established policies and procedures, including use of the appropriate object code(s). ASD reviews WVCA transactions when received for processing, and notifies WVCA staff immediately of any errors detected and provides advice on corrective actions. ASD is also bound by rulings from the State Auditor’s Office, who, on occasion, rejects transactions after agency approval due to incorrect object coding. The State Auditor’s staff reviews each transaction and makes the final determination of whether or not a proper object code was used based upon the content of the transaction processed and the official object code descriptions.

**Finding 19.** Travel Regulations – WVDA ASD relies upon WVCA staff to properly prepare transactions in accordance with established policies and procedures, and performs an audit of travel reimbursement requests after submission from WVCA. If errors are detected, WVCA staff is notified immediately and is advised of corrective actions that must be taken.

**Finding 20.** Project Reimbursement – No response

**Finding 21.** Travel Reimbursement Processing – No response



**WEST VIRGINIA CONSERVATION AGENCY  
JULY 1, 2009 – JUNE 30, 2010**

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**APPENDIX C  
CONSERVATION DISTRICT FUNDS**

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**Consolidated Conservation Districts**  
**Balance Sheet**  
As of 6/30/2010

	<u>CCD</u>	<u>ECD</u>	<u>EPCD</u>	<u>GCD</u>	<u>GVC</u>	<u>LKCD</u>	<u>MCD</u>
<b>Assets</b>							
Receiving Account	0.00	50.00	10.00	0.00	100.00	0.00	10,000.00
CDO Grant	11,434.39	7,492.02	2,563.46	69,301.50	17,660.21	11,372.41	24,018.33
CDO Supplemental	600.00	0.00	0.77	0.00	0.00	6,100.00	0.00
Lime Program	7,978.37	75,087.56	35,606.90	137,491.43	239,139.56	90,476.12	28,017.71
NRCS Structural Projects	44,900.91	0.00	0.00	0.00	24,970.84	432,252.55	258,194.43
USACOE Structural Projects	0.00	0.00	0.00	4,646,474.75	6,323,053.38	0.00	0.00
Operation Maintenance and Repair (OM&R)	27,832.11	17,499.12	4,481.97	46,524.66	56,470.77	283,847.78	149,609.00
Dam Rehabilitation	0.00	0.00	0.00	0.00	0.00	0.00	203,483.83
Floodplain Restoration	0.00	0.00	0.00	661.06	0.00	0.00	25,981.45
State Emergency Watershed Protection (E...)	68,486.80	91,040.80	70,542.77	48,752.39	74,498.40	37,232.46	48,565.35
Stream Protection and Restoration Progra...	0.00	0.00	0.00	95,117.91	0.00	1,337.26	4.63
Stream Restoration	0.00	89,304.21	4,965.54	7,153.14	276,250.89	0.00	2,233,676.15
Water Resource Assessments (WRAs)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Conservation Reserve Enhancement Progr...	4,893.51	8,764.78	7,186.51	9,681.99	7,536.42	11,670.00	8,768.46
Ag-Enhancement	0.00	0.00	373,374.06	0.00	209,149.34	0.00	20,000.00
PL 534	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Chesapeake Bay Initiative	0.00	0.00	0.00	0.00	0.00	0.00	0.00
319 Nonpoint Source (NPS) Management ...	18,029.00	19,861.44	35,173.54	22,408.81	111,943.08	0.00	0.00
Multiflora Rose Program	10,000.00	26,540.64	9,370.08	58,800.00	97,526.23	34,707.66	30,000.00
Invasive Species Program	6,808.50	4,994.90	0.00	6,616.31	0.00	39,466.16	13,598.36
Grassland	0.00	0.00	0.00	0.00	28,667.90	0.00	0.00
Water Quality Improvement Projects (WQIP)	0.00	0.00	253,332.35	0.00	0.00	0.00	0.00
WVU Trust Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Assets</b>	<u>200,963.59</u>	<u>340,635.47</u>	<u>796,607.95</u>	<u>5,148,983.95</u>	<u>7,466,967.02</u>	<u>948,462.40</u>	<u>3,053,917.70</u>

**Consolidated Conservation Districts**

Balance Sheet  
As of 6/30/2010

	NPCD	PVCD	SCD	TVCD	UOCD	WCD	WFCD
<b>Assets</b>							
Receiving Account	400.00	1,564,287.06	609.41	144,441.32	303.50	84.00	200.00
CDO Grant	28,026.19	26,879.71	39,477.54	13,384.74	29,100.01	21,358.12	17,713.42
CDO Supplemental	0.00	0.00	0.00	0.00	0.00	20,001.39	0.00
Lime Program	56,359.24	68,616.06	103,075.34	60,071.37	78,067.12	155,079.57	73,231.23
NRCS Structural Projects	57,252.40	2,811,207.40	3,421,634.63	14,966.14	0.00	194,145.42	0.00
USACOE Structural Projects	0.00	0.00	0.00	868,591.20	0.00	0.00	0.00
Operation Maintenance and Repair (OM&R)	274,593.54	216,404.80	287,418.70	98,690.08	0.00	27,684.73	127,695.82
Dam Rehabilitation	0.00	1,366,264.68	0.00	0.00	0.00	0.00	0.00
Floodplain Restoration	0.00	0.00	135,250.95	0.00	0.00	0.00	0.00
State Emergency Watershed Protection (E...	49,631.67	174,289.92	114,996.92	75,044.31	1,396.08	77,243.12	65,846.06
Stream Protection and Restoration Progra...	778.33	47,284.53	8,167.66	116.06	0.00	0.00	0.00
Stream Restoration	67,869.54	0.00	7,259.55	77,027.88	0.00	3,003.78	22,183.01
Water Resource Assessments (WRAs)	0.00	0.00	0.00	101,254.26	0.00	0.00	104,657.98
Conservation Reserve Enhancement Progr...	0.00	15,290.32	7,845.09	10,122.67	0.00	5,147.00	8,321.90
Ag-Enhancement	76,634.67	0.00	0.00	0.00	0.00	0.00	0.00
PL 534	0.00	22.60	0.00	0.00	0.00	0.00	0.00
Chesapeake Bay Initiative	0.00	14,193.38	0.00	0.00	0.00	0.00	0.00
319 Nonpoint Source (NPS) Management ...	9,644.74	185,958.51	0.00	0.00	0.00	0.00	0.00
Multiflora Rose Program	24,271.24	26,207.30	45,617.17	45,473.55	27,675.00	29,154.00	32,589.03
Invasive Species Program	0.00	0.00	0.00	15,237.39	21,000.00	10,035.23	22,447.00
Grassland	0.00	0.00	957.65	0.00	0.00	0.00	0.00
Water Quality Improvement Projects (WQIP)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WVU Trust Funds	0.00	0.00	0.00	0.00	0.00	0.00	9,186.82
<b>Total Assets</b>	<b>645,461.56</b>	<b>6,516,906.27</b>	<b>4,172,310.61</b>	<b>1,524,420.97</b>	<b>157,541.71</b>	<b>542,936.36</b>	<b>484,072.27</b>

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UNAUDITED

**Consolidated Conservation Districts**  
 Balance Sheet  
 As of 6/30/2010

	Total
<b>Assets</b>	
Receiving Account	1,720,485.29
CDO Grant	319,782.05
CDO Supplemental	26,702.16
Lime Program	1,208,297.58
NRCS Structural Projects	7,259,524.72
USACOE Structural Projects	11,838,119.33
Operation Maintenance and Repair (OM&R)	1,618,753.08
Dam Rehabilitation	1,569,748.51
Floodplain Restoration	161,893.46
State Emergency Watershed Protection (E...	997,567.05
Stream Protection and Restoration Progra...	152,806.38
Stream Restoration	2,788,693.69
Water Resource Assessments (WRAs)	205,912.24
Conservation Reserve Enhancement Progr...	105,228.65
Ag-Enhancement	679,158.07
PL 534	22.60
Chesapeake Bay Initiative	14,193.38
319 Nonpoint Source (NPS) Management ...	403,019.12
Multiflora Rose Program	497,931.90
Invasive Species Program	140,203.85
Grassland	29,625.55
Water Quality Improvement Projects (WQIP)	253,332.35
WVU Trust Funds	9,186.82
Total Assets	32,000,187.83

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UNAUDITED

**WEST VIRGINIA CONSERVATION AGENCY  
JULY 1, 2009 – JUNE 30, 2010**

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**APPENDIX D  
WV LEGISLATIVE SERVICES LEGAL DIVISION OPINION**

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WEST VIRGINIA LEGISLATURE  
*Legislative Services Division*

Building 1, Room E-140  
1900 Kanawha Boulevard, East  
Charleston, WV 25305-0610  
(304) 347-4800  
(304) 347-4819 FAX



John R. Homburg  
Director

TO: John Signore, Legislative Post Audit Division  
FROM: George Freeman, Attorney, Legislative Services  
DATE: June 6, 2012  
RE: West Virginia Conservation Awards Council

This is in response to your request for an opinion regarding the West Virginia Conservation Awards Council (WVCAC), which is a 501(c)(3) nonprofit corporation. You cite W. Va. Code §19-21A-4(g)(6), which reads as follows:

"(g) In addition to other duties and powers conferred upon the State Conservation Committee, it may:

(6) Accept and receive donations, gifts, contributions, grants and appropriations in money, services, materials or otherwise from the United States or any of its agencies, from the State of West Virginia or from other sources and use or expend the money, services, materials or other contributions in carrying out the policy and provisions of this article, including the right to allocate the money, services or materials in part to the various conservation districts created by this article in order to assist them in carrying on their operations;"

You then ask whether the transfer of state monies from the West Virginia Conservation Agency (WVCA) to the WVCAC circumvents the Legislature's constitutional authority to appropriate funds.

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*Joint Committee on Government and Finance*

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John Homburg and I reviewed this matter, and to us this is a statutory question turning on whether the state agency has express statutory authority to fund and operate a nonprofit corporation, or in the absence of that express statutory authority, has implied statutory authority sufficient to justify the agency's actions. While we believe the WVCA is funding and operating the WVCAC without express or implied authority to do so, we don't think the language in §19-21A-4(g) (6) gives rise to a broader constitutional issue concerning the Legislature's authority to appropriate funds.

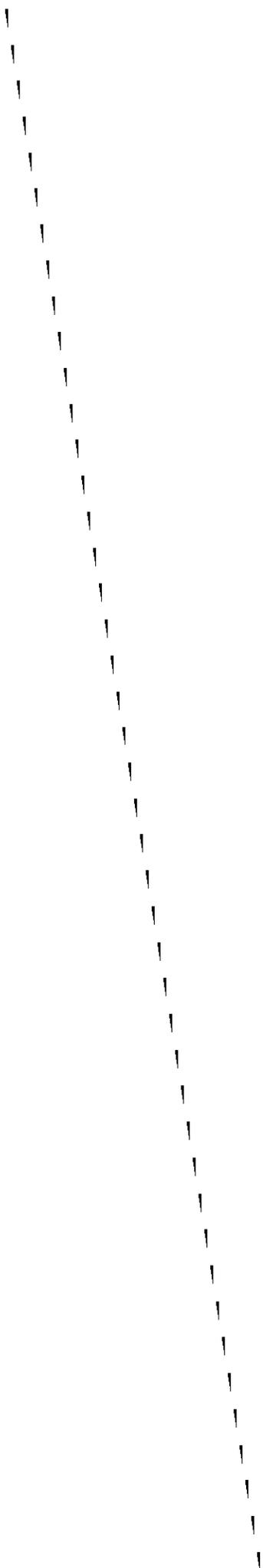
If you have any further questions regarding this matter, please feel free to contact us.

**WEST VIRGINIA CONSERVATION AGENCY  
JULY 1, 2009 – JUNE 30, 2010**

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**APPENDIX E  
WV ETHICS COMMISSION OPINION**

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----- Original Message -----

**Subject:**RE: Advisory Opinion

**Date:**Fri, 16 Sep 2011 13:25:18 -0400

**From:**Email, Ethics <Ethics@wv.gov>

**To:**John Signore <[jignore@wvnet.edu](mailto:jignore@wvnet.edu)>

You ask various questions. My responses follow:

### **West Virginia Conservation Awards Council**

1. Can a state agency (or employees from a state agency) form their own corporation and use state funds to fund the corporation??

**Answer:** In regard to analyzing the application of the Ethics Act to the question presented, in general, absent express statutory authority, an agency should not form a non-profit corporation. See A.O. 2010-17. Equally important in analyzing this matter is whether the State Agency is statutorily authorized to create or support such an entity and/or if it has implied authority to do so. To obtain definitive guidance on this issue, the agency may want to seek an opinion from the Attorney General. See 58 W. Va. Op. Atty. Gen. 207 (1980) discussing whether a city may appropriate money to a non-profit entity and concluding that it could if the organization serves a public purpose. In the alternative, it may want to seek clarification through the Legislative process. It could potentially violate the Ethics Act's private gain provision if the Council awards money to persons who are public officials or employees of the public entities which fund the Council.

2. Can the Awards Council use state funds provided by the WVCA to issue these awards?

Whether public funds may be used for awards is dependent upon whether it serves a public purpose related to the mission of the agency. See 52 W. Va. Op. Atty. Gen. 239 (1967) wherein the AG ruled that public funds could be used by the Humanities Council to give awards. The answer to the question you pose is not entirely clear under the Ethics Act. Further, the answer to this question too is equally dependent upon the opinions of the Attorney General or State Auditor in regard to whether it constitutes the authorized use of public funds. The agency may consider directing this question to the Attorney General.

3. Can state employees work for the Awards Council during state time? In my opinion, in accordance with A.O. 2010-17, the public agency may not staff the agency unless it has express legislative authority to do so. If the State employees only dedicate a de minimis amount of time to the work of the non-profit, then it may be permissible.

4. Can the state employees be reimbursed for travel when working on behalf of the Awards Council?

See answer to question 1 and 3. In my opinion the agency's employees should not be reimbursed with State funds for travel expenses relating to the Awards Council, a non-profit entity, unless the agency has express authority for this expenditure. If only a de minimis amount of public funds are used for this purpose, then it may be permissible for purposes of the Ethics Act.

whether public funds should be used for this purpose is a policy decision which lies with the State agency and/or the Legislature.

I have rendered staff advice. If the agency would like a formal advisory opinion, it is welcome to submit a request.

Please feel free to contact me if you require any clarification.

Theresa M. Kirk  
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WV Ethics Commission  
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Charleston, WV 25301  
(304) 558-0664  
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**From:** John Signore [<mailto:jignore@wvnet.edu>]  
**Sent:** Monday, September 12, 2011 10:22 AM  
**To:** Email, Ethics  
**Subject:** Advisory Opinion

To Whom It May Concern:

Hello. My name is John Signore. We are conducting a post audit of the West Virginia Conservation Agency (WVCA) for the period of July 1, 2009 to June 30, 2010. During our audit, we noted a relationship between the WVCA and the WV Conservation Awards Council (also known as the Awards Council). Similarly, we also noted a relationship between the WVCA and the West Virginia Association of Conservation Districts (also known as

and are reimbursed for any travel expenses. Furthermore, the entire budget of the Association is funded by the WVCA (either through WVCA or monies sent to the districts from the WVCA).

We also noted that the Association has a legislative tour in which representatives of West Virginia Senators and House of Representatives attend. The congressional members tour the various projects with district supervisors and WVCA employees. The districts fund this event and are reimbursed by the WVCA. The Association has a legislative committee set up in their by-laws and decide each year whether or not to have a legislative tour.

As a result of this relationship, we are seeking an ethical opinion on the following questions:

1. Can state employees work for the Association during state time?
2. Can state employees be reimbursed for travel when working on the behalf of the Association?
3. Is the legislative tour that is conducted annually by the Association considered to be a lobbying activity? If so, do district supervisors and employees of the WVCA that conduct these tours have to be registered as lobbyists?

I have attached an advisory opinion which may help. Thank you for your assistance with this matter and if you have any further questions you can contact me at [jignore@mail.wvnet.edu](mailto:jignore@mail.wvnet.edu).

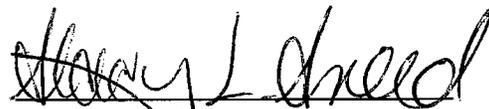


**STATE OF WEST VIRGINIA**

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

I, Stacy L. Sneed, CPA, CICA, Director of the Legislative Post Audit Division, do hereby certify 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 9<sup>th</sup> day of August 2012.

  
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 were forwarded to the Secretary of the Department of Administration to be filed as a public record. Report release notifications were also sent to the West Virginia Conservation Agency; West Virginia Department of Agriculture; and West Virginia State Conservation Committee; Governor; Attorney General; and State Auditor.