

LEGISLATIVE POST AUDIT REPORT

The West Virginia Division of Juvenile Services Gene Spadaro Juvenile Center

AUDIT HIGHLIGHTS

- Approximately \$3.5 Million Spent by the Division of Juvenile Services on Abandoned Davis Center Renovation Project
- The Division of Juvenile Services Failed to Insure Two Davis Center Buildings for Loss or Liability for More Than Two Years
- The Division of Juvenile Services and the Department of Health and Human Resources Differ by More Than \$900.000 on Receivable Balance



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WEST VIRGINIA LEGISLATURE
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The Joint Committee on Government and Finance:

In compliance with the provisions of the WV Code, Chapter 4, Article 2, as amended, we conducted a post audit of the Gene Spadaro Juvenile Center (GSJC) for the period of July 1, 2012 through June 30, 2013. This report is limited to GSJC's activities related to expenditures made from GSJC accounts in fiscal year 2013 and to revenue collections and deposits made in GSJC accounts.

The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). The audit disclosed certain findings, which are detailed in this report. Findings deemed inconsequential to the financial operations of the agency were discussed with management. The GSJC management has responded to the audit findings. We have included these responses in Appendix B.

Respectfully submitted,

A handwritten signature in blue ink that reads "Denny Rhodes".

Denny Rhodes, Director
Legislative Post Audit Division

**DIVISION OF JUVENILE SERVICES
GENE SPADARO JUVENILE CENTER
JULY 1, 2012 – JUNE 30, 2013**

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**DIVISION OF JUVENILE SERVICES
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INTRODUCTION

POST AUDIT AUTHORITY

The audit was conducted pursuant to §4-2, as amended, of the W.Va. 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.”

The Post Audit Division of the Office of the Legislative Auditor is organized under the Legislative Branch of the State and the 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.

This communication is intended solely for the information and use of the Post Audits Subcommittee, the members of the W.Va. Legislature, and management of the Division of Juvenile Services and Gene Spadaro Juvenile Center. Once presented to the Post Audits Subcommittee this report is a matter of public record and its distribution is not limited. The reports are designed to assist the Post Audits Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving State operations.

BACKGROUND¹

The Gene Spadaro Juvenile Center is located in Mt. Hope, West Virginia. It is a 23 bed facility opened in 2004.

The Gene Spadaro Juvenile Center is a detention facility that accommodates both male and female youth. GSJC serves youth that have been charged with a crime that would be punishable as an adult pursuant to West Virginia Statute 49. This facility offers a secure environment with minimal restrictions while residents await commitment beds at other facilities.

EXIT CONFERENCE

The report was discussed with management of the GSJC on Wednesday, January 7, 2014 at 12:30 PM. All findings and recommendations were reviewed and discussed as well as any items deemed inconsequential. Management’s response has been included at the end of the report in Appendix B.

¹ Background information was obtained from the WVDJS website.

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SPENDING UNIT CONTACTS

Gene Spadaro Juvenile Center

Derek McKinney..... Director (October 16, 2012 – Present)

Ralph Terry..... Previous Director (October 1, 2000 – July 1, 2012)

Holly Foley..... Case Manager

Karen Crist..... Office Assistant II

Christina Cox..... Corrections Counselor I

Jacqueline Barber..... Case Manager

Kathleen Sauls..... Program Coordinator/Support Therapist

Robin Hatfield..... Prime Care LPN

Beverly Sanger..... Corrections Counselor II

Cathy McGuire..... Office Assistant II

Division of Juvenile Services

Stephanie Bond..... Acting Director (February 27, 2013 – July 1, 2014)
Director (July 1, 2014 – Present)

Dale Humphreys..... Previous Director (September 16, 2006 – February 27, 2013)

Sandra Woods.....Assistant Director Budget and Finance

Sheila Dolin..... Administrative Services Manager

Darlene Hovatter..... Purchasing Supervisor

**DIVISION OF JUVENILE SERVICES
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AUDIT SCOPE

We audited the Gene Spadaro Juvenile Center (GSJC) for the period of July 1, 2012 through June 30, 2013. Our audit scope included an audit of the revenues and expenditures of GSJC for compliance with applicable WV Code, WV purchasing regulations, State rules, West Virginia Division of Juvenile Services (WVDJS) policies, and Gene Spadaro Juvenile Center (GSJC) policies for fiscal year 2013.

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

GSJC'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.

The scope over internal controls involved only assessing those controls that were significant to the objectives listed in this report. To conclude on the adequacy of internal controls regarding GSJC as a whole was not a specific objective of this audit. Any internal control weaknesses discovered have been reported in findings if they were significant to our audit objectives.

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GENE SPADARO JUVENILE CENTER
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OBJECTIVES AND CONCLUSIONS

OBJECTIVE 1

Determine if the internal controls regarding purchasing card transactions are functioning properly as required by the WV State Auditor's Office *Purchasing Card Policies and Procedures*, implemented under the authority of West Virginia Code §12-3-10a. In doing so, we shall determine that cards are used only for official state purposes (Policies & Procedures 2.5.2) and transactions have been properly reconciled (Policies and Procedures 7.0), cardholder agreement forms are complete and filed (Policies and Procedures 4.3) and purchases are supported by receipts and receiving reports when applicable (Policies and Procedures 7.1) . Further, we will test for evidence of improper card delegation (Policies and Procedures 4.4) and for fraud, misuse and abuse (Policies and Procedures 9.0).

CONCLUSION

We found that purchasing card transactions were not performed in accordance with the WV State Auditor's Office *Purchasing Card Policies and Procedures*, WV Code §12-3-10a, West Virginia Division of Juvenile Services Policy Number 121.00, and West Virginia Division of Juvenile Services Policy Number 124.00. We noted other instances of noncompliance that, while not significant enough to warrant inclusion in this report, still required the attention of DJS and GSJC management. These items were communicated in a letter to DJS and GSJC management.

RELATED FINDINGS

- Finding 4: Inadequate Controls and Documentation for Purchasing Cards

OBJECTIVE 2

Determine if inventory is properly managed, documented and if asset tags are properly maintained in accordance with, West Virginia Code §5A-3-35, West Virginia Division of Juvenile Services policy 121.02 and Purchasing Division Inventory Management and Surplus Property Disposition Policies & Guidelines §2.3. We noted other instances of noncompliance that, while not significant enough to warrant inclusion in this report, still required the attention of DJS and GSJC management. These items were communicated in a letter to DJS and GSJC management.

CONCLUSION

We found that inventory was not properly managed or recorded in accordance with West Virginia Code §5A-3-35, West Virginia Division of Juvenile Services policy 121.02 and Purchasing Division Inventory Management and Surplus Property Disposition Policies & Guidelines §2.3.

RELATED FINDINGS

- Finding 5: Incomplete Asset Inventory Records
- Finding 6: Failure to Conduct and Report Physical Inventories of Assets

OBJECTIVE 3

Determine if the Gene Spadaro Juvenile Center is receiving proper reimbursement rates, as stated in contracts for medical and other treatment of juveniles in the custody of the division of juvenile services and in accordance WV Code §49-5E-6. Also, determine that monies reimbursed by the Department of Health and Human Resources were properly deposited into Division of Juvenile Services accounts. Determine that the use of reimbursement monies comply with W.Va. Code and other rules and regulations. Also, ensure that construction projects and other purchases financed with these monies have been properly safeguarded.

CONCLUSION

We found that adequate records were not maintained by GSJC and DJS in regards to amounts owed by and billed to DHHR for housing juvenile status offenders. The lack of adequate records precluded us from verifying the accuracy of amounts owed by and amounts billed to the DHHR by DJS for housing status offenders at the GSJC.

RELATED FINDINGS

- Finding 1: Approximately \$3.5 Million Spent by DJS on Abandoned Project
- Finding 2: Failure to Insure Buildings at the Davis Center
- Finding 3: DJS and DHHR Differ by More Than \$900,000 on Receivable Balance

OBJECTIVE 4

Determine if employees and officers have the necessary qualifications and training as required by West Virginia Code §49-5E-5 & 5a, applicable West Virginia Division of Juvenile Services Policies (162.00), as well as Section 23 of the WV Division of Personnel’s Legislative Rule 143, Series 1 (143CSR1) and Section 4 of WV Legislative Rule 101, Series 1 (101CSR1).

- Training programs must meet standards endorsed by the office of juvenile justice and delinquency prevention of the office of justice programs of the U.S. department of justice.
- Salary and benefits must be consistent with approved plan of Division of Personnel compensation under WV Code Section 5, Article 6, Chapter 29. Priority of hiring goes to applicants in good standing at a county or local jail that was closed due to the opening of a regional jail.
- New DJS employees will receive forty hours of orientation training before undertaking assignments. New correctional officers and treatment staff will receive an additional 120 hours at the Division Academy during their first year. All staff that has contact with residents will receive 40 hours annually of specialized training in different topics to assist with handling resident issues. Including mandatory course Pressure Point Control Tactics.

- Managerial staff must complete the Division of Personnel Supervisor/Manager Training Program.
- Each agency shall provide functional training to employees based upon agency and employee needs and resources.
- Division of Personnel shall make available technical assistance in organization development, course design, and to provide training on specific aspects of personnel administration.
- Directors shall issue a written policy outlining the training program and requirements for the program. The Director's written policy will adopt, at a minimum, the American Correctional Association's Standards for Juvenile Detention Centers.

CONCLUSION

We found that employees and officers have the necessary qualifications and training as required by West Virginia Code §49-5E-5 & 5a, applicable West Virginia Division of Juvenile Services Policies (162.00), as well as Section 23 of the WV Division of Personnel's Legislative Rule 143, Series 1 (143CSR1) and Section 4 of WV Legislative Rule 101, Series 1 (101CSR1). Employees were following best practices while conducting interviews, background checks, and ensuring applicant testing was completed according to all policies and procedures. New personnel received and were scheduled for required training as permitted by facility workload. We did find one instance of an officer not receiving all of the required annual training, but with further inquiry it was determined this staff member resigned from their position.

RELATED FINDINGS

No related findings.

OBJECTIVE 5

Determine if GSJC collects any revenue from inside functions, such as employee meals, vending machine collections, or commissary items for residents. If so, determine if collections are properly accounted for in accordance with WV Code §12-2-2 and West Virginia Division of Juvenile Services Policy Number 117.00. We noted other instances of noncompliance that, while not significant enough to warrant inclusion in this report, still required the attention of DJS and GSJC management. These items were communicated in a letter to DJS and GSJC management.

CONCLUSION

We found that GSJC collected monies from the sale of meals, vending machines and from solicited donations. We found that there was a lack of segregation of duties and that monies were not being properly accounted for in accordance with WV code **§12-2-2**, W. Va. Code §5A-8-9, West Virginia Division of Juvenile Services Policy Number 117.00, West Virginia Division of Juvenile Services Policy Number 118.01, **Section 3 of the West Virginia Handbook for Spending Units**, and Gene Sparadro Juvenile Center Operational Procedures Manual: Procedure #1.17.

RELATED FINDINGS

- Finding 7: Lack of Authorization and Controls for GSJC Resident Benefit Fund

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Findings and Recommendations

Finding 1: Approximately \$3.5 Million Spent by DJS on Abandoned Project

Condition: After the completion of the Kenneth Honey Rubenstein Juvenile Center in Davis, WV on October 2009, residents were transferred from the old Davis Center facility. After the facility was vacated, the Division of Juvenile Services (DJS) spent approximately \$3.5 million dollars for renovations at the Davis Center. The total paid to each vendor is shown in the table below:

VENDOR	Amount
Manheim Corp.	\$2,988,918.32
ZMM Inc.	\$456,902.50
Solo Crane Inc.	\$40,400
Total	<u>\$3,486,225.82</u>

The construction costs were primarily paid from the Juvenile Services Status Offender Fund (6408)². The monies in this fund were derived from payments received by the DJS from the Department of Health and Human Resources (DHHR) for housing certain Juvenile Status Offenders³ at the Gene Spadaro Juvenile Center (GSJC).

According to the 2010 DJS Annual Report, the purpose of the renovations was to establish a facility that would "...accommodate up to 24 correctional females of all custody levels...." Renovations to the Davis Center, however, were not completed and the project was halted around December 2013.

Our office contacted the Director of the DJS and we inquired as to the reasons why the construction was halted and whether or not renovations would be completed at a later date. The Director of DJS responded by a letter dated November 19, 2014 with the following:

"...It was determined there were too many variables which made the continuation of this project no longer a viable option for DJS. We leased the property the facility was on from DNR⁴. A condition of the lease stated the facility was to be used by DJS. If not, it reverted back to DNR,

² Of the \$3,486,225.82 paid for the renovation project, \$2,741,157.90 was paid from the Juvenile Services Status Offender Fund (6408) while \$745,067.92 was expended from DJS's General Revenue Fund (0570).

³ The DHHR is obligated by W.Va. Code W.Va. Code §49-5B-5 to reimburse DJS for "...expenses incurred in housing juvenile status offenders in need of stabilization and specialized supervision due to chronic runaway behavior...."

⁴ The WV Division of Natural Resources.

which is what has happened. There are no plans to complete the renovation work or to reopen the center by DJS....”

Although the DJS Director stated the facility reverted back to DNR, DJS oversees the property and maintains keys to the buildings on the complex. DJS also pays for insurance and electric for the buildings and a DJS employee mows the grass. We sought to clarify with the Director of DJS as to what variables had caused DJS to decide to discontinue construction prior to completion of the renovations. The Director responded by letter dated December 12, 2014:

“...questions began to arise about the former Davis Center and its necessity within the current DJS structure. Questions were raised about the new Kenneth “Honey” Rubenstein Center (KHRC) resident population and vacant beds. Additional questions came into play regarding staffing levels and the associated challenges of effectively staffing the KHRC facility if there was another similar operation mere miles from the new facility. DJS or any other correctional operation at the Davis Center would effectively be competing with DJS’s ability to properly staff and operate the KHRC which has been a challenge since the new facility opened...”



Photograph by Perry Bennett

PHOTOGRAPH OF THE DAVIS CENTER HOUSING BUILDING
REFER TO APPENDIX C FOR ADDITIONAL PHOTOGRAPHS OF THE CENTER

Criteria:

W. Va. Code §49-5E-3, as amended, states in part:

“The Division of Juvenile Services shall assume the following duties...”

(6) Developing a comprehensive plan to maintain and improve a unified state system of regional predispositional detention centers for

juveniles, as set forth in [§49-5-13e], and section [§49-5A-6a]...”
(Emphasis Added)

W.Va. Code §49-5-13e, as amended, states in part:

“Comprehensive Plan for Juveniles.

...(b) The comprehensive plan for regional detention programs and facilities shall be based on the need for secure juvenile detention services in a given county or region. **The Secretary of the Department of Military Affairs and Public Safety and the Executive Director of the Regional Jail and Correctional Facility Authority shall develop and agree to the criteria to be considered in determining the construction, renovation, acquisition or repair of projects** proposed after the effective date of this article. These criteria are to be reviewed periodically and included in the annual report required pursuant to this section. **(Emphasis Added)**

W.Va. Code §49-5A-6a, as amended, states in part:

“State plan for predispositional detention centers for juveniles.

(a) The division of juvenile services of the department of military affairs and public safety shall develop a comprehensive plan to maintain and improve a unified state system of regional predispositional detention centers for juveniles...

**The principal purpose of the plan shall be, through statements of policy and program goals, to provide first for the effective and efficient use of existing regional juvenile detention facilities and the prudent allocation of resources for any future expansion or addition....”
(Emphasis Added)**

Cause: It is our opinion the reasons given for halting the project were foreseeable when the project was initiated. Therefore, either management made errors in evaluating the cost/benefit when deciding to begin the project, or errors were made in the decision process to abandon the project. It is also possible that both may be true in that the project should not have been started, but once \$3.5 million was invested, it may have been prudent to complete the project and bring the facility into use.

Effect: The DJS expended approximately \$3.5 million dollars for which the DJS and the State received no significant return. As of the date of this report, the Davis Center remains vacant and incomplete.

Recommendations: We recommend the DJS comply with W. Va. Code §49-5E-3, §49-5-13e and §49-5A-6a, as amended, and develop an effective procedure for gauging cost versus benefit to ensure the prudent allocation of resources for future juvenile facility construction and renovation projects. In addition, we recommend that DJS create and implement an objective with regards to the Davis Center property

that would enable the agency and the state to recoup, to the degree possible, the monies expended on the project. Finally, we recommend DJS representatives attend the first Post Audit Subcommittee meeting after the conclusion of the 2015 Regular Legislative Session and update the Subcommittee on the status of the Davis Center and the prospects for its use.

**Spending Unit's
Response:**

See Appendix B

Finding 2: Failure to Insure Buildings at the Davis Center

Condition: On January 7, 2015, we inquired of DJS personnel about insurance coverage on the buildings located at the Davis Center. We were told by the DJS’s Assistant Director of Budget and Finance that the Davis Center Education/Administration Building was not insured. We subsequently learned this building, along with a storage shed at the Davis Center, had not been insured since at least October 2012.

On January 8, 2015, we received documentation from the DJS indicating these buildings were added for coverage on that day. The Education/Administration Building was insured for \$350,000 for the structure and \$100,000 for content; the storage shed was insured for \$45,000 for the structure and \$100,000 for content. We were unable to determine the current value of either building; however the Education/Administration Building, along with the Davis Center Housing Building, recently received renovations at a cost of \$3.5 million.



Photograph by Perry Bennett

PHOTOGRAPH OF THE DAVIS CENTER EDUCATION/ADMINISTRATION BUILDING

Criteria: W.Va. Code §29-12, as amended, provides for the creation of the W.Va. Board of Insurance Management (BRIM). Section 1 of this Article states in part:

“Recognition is given to the fact that the State of West Virginia owns extensive properties of varied types and descriptions representing the investment of vast sums of money; that the State and its officials, agents and employees engage in many governmental activities and services and incur and undertake numerous governmental responsibilities and obligations; that **such properties are subject to**

losses, damage, destruction, risks and hazards and such activities and responsibilities are subject to liabilities which can and should be covered by a sound and adequate insurance program...” (Emphasis Added)

W.Va. Code §49-5E-2, as amended, states in part:

“...(a). There is hereby created the Division of Juvenile Services within the Department of Military Affairs and Public Safety. The director shall be appointed by the Governor with the advice and consent of the Senate and shall be responsible for the control and supervision of each of its offices. **The director may appoint deputy directors and assign them duties as may be necessary for the efficient management and operation of the division....” (Emphasis Added)**

Cause: The DJS’s Assistant Director of Budget and Finance said she did renew insurance coverage on the Education/Administration Building in 2012 because the building was undergoing renovations. Therefore, insurance coverage ceased on the building in October 2012. Even after renovations were halted around December 2013, the DJS still did not acquire insurance for this building. Insurance was not obtained for the Education/Administration Building, as well as a storage shed at the Davis Center, until after we made inquiries about insurance coverage on the Davis Center buildings.

Effect: The newly renovated Educational/Administrative Building and a storage shed at the Davis Center were not insured for more than two years. If either or both of these buildings were to burn down, incur damages from other natural or man-made causes, or be subject to other liabilities, the DJS and the State would suffer the full loss of the damages or liabilities with no recourse for recovery.

Recommendations: We recommend the DJS comply with W.Va. Code §29-12-1 and §49-5E-2, as amended, and consistently maintain adequate insurance coverage on all DJS buildings of value. We also recommend the DJS review their insurance records and properties and confirm that adequate coverage exists for DJS properties subject to insurance coverage. Finally, we recommend DJS representatives attend the first Post Audit Subcommittee meeting after the conclusion of the 2015 Regular Legislative Session and update the Subcommittee on the results of this review.

Spending Unit’s Response: See Appendix B

Finding 3

DJS and DHHR Differ by More Than \$900,000 on Receivable Balance

Condition:

W.Va. Code §49-5B-5a provides for the reimbursement by the Department of Health and Human Resources (DHHR) to the Division of Juvenile Services (DJS) for “...expenses incurred in housing juvenile status offenders⁵ in need of stabilization and specialized supervision due to chronic runaway behavior...” We requested the DJS and the DHHR each disclose the amount currently owed by the DHHR for expenses incurred by the DJS in housing these particular juveniles. The DJS claimed the DHHR owed over \$900,000 more than the amount reported by the DHHR’s Bureau for Children and Families (BCF).

In a letter dated November 19, 2014, the DJS Director said the DHHR owes \$1,552,320. The following table is based on the data provided by the DJS and shows the fiscal year the charge originated as well as the juvenile facility that housed the residents:

DATA PROVIDED BY DIVISION OF JUVENILE SERVICES

Fiscal Year	Juvenile Facility	Amount Due
2012	Gene Spadaro Juvenile Center	\$ 263,200
2013	Gene Spadaro Juvenile Center	\$ 507,220
2014	Gene Spadaro Juvenile Center	\$ 14,140
2014	Robert L Shell Juvenile Center	\$ 559,300
2015	Robert L Shell Juvenile Center	\$ 208,460
TOTAL		\$ 1,552,320

We asked the Bureau for Children and Families if they agreed with the DJS receivable balance. BCF Commissioner’s written response dated December 31, 2014 included a breakdown of the differences between the DJS’s and the BCF’s position on amounts owed. A summary of this breakdown is shown in the table that follows:

DATA PROVIDED BY DHHR’S BUREAU FOR CHILDREN & FAMILIES

Fiscal Year	Juvenile Facility ◊	BCF	DJS	Difference
2012	GSJC	\$0	\$263,200	\$263,200
2013	GSJC	\$2,520	\$507,220	\$504,700
2014	GSJC	\$8,960	\$14,140	\$5,180
2014	RSJC	\$428,820	\$559,300	\$130,480
2015	RSJC	\$203,140	\$208,460	\$5,320
Totals		\$643,440	\$1,552,320	\$908,880

◊ – GSJC = Gene Spadaro Juvenile Center / RSJC = Robert L. Shell Juvenile Center

⁵ Residents of Juvenile Facilities are classified as Status Offenders, Delinquent Offenders or, in some instances, as both. W.Va. Code §49-1-4 defines a Status Offender as “...a juvenile who has been adjudicated as one: (A) Who habitually and continually refuses to respond to the lawful supervision by his or her parents, guardian or legal custodian such that the child’s behavior substantially endangers the health, safety or welfare of the juvenile or any other person; (B) Who has left the care of his or her parents, guardian or custodian without the consent of such person or without good cause; or (C)Who is habitually absent from school without good cause;” W. Va. Code §49-1-4 defines a Juvenile delinquent as “...a juvenile who has been adjudicated as one who commits an act which would be a crime under state law or a municipal ordinance if committed by an adult...”

We attempted to verify the accuracy of the amounts billed for fiscal year 2013 by the DJS to the DHHR for housing Juvenile Status Offenders from records provided by the DJS and the GSJC. However, we were unable to verify amounts invoiced by the DJS due to inadequate, incomplete and contradictory documentation supporting the billings. Therefore, we were unable to determine how much should have been billed by the DJS and how much remains outstanding. Still, the errors and inconsistencies we noted in the DJS and the GSJC records cast doubt on the accuracy of the accounts receivable balance reported by DJS.

As shown in the table above, the DHHR and the BCF are not currently disputing \$643,440 of the accounts receivable balance. The BCF Commissioner indicated in her written response that much of the delay in payment was due to DJS failing to timely remit invoices to the BCF. The Commissioner stated the "...BCF had requested billing several times from the DJS, but the staff person for the DJS was on medical leave..." The Commissioner added the BCF is currently reviewing invoices in preparation for payment for the current undisputed balance.

Criteria:

An Inter-Agency Agreement between the Department of Military Affairs and Public Safety, Division of Juvenile Services and the Department of Health and Human Resources, Bureau for Children and Families, states in part:

"...This agreement is entered into between the West Virginia Department of Military Affairs and Public Safety, Division of Juvenile Services (hereinafter, DJS) and the West Virginia Department of Health and Human Resources, Bureau for Children and Families (hereinafter, BCF). The purpose of this agreement is to provide for the placement, assessment and care of those status offenders that are determined to be in need of stabilization and specialized supervision due to their chronic and recent runaway behaviors....9. Beginning September 1, 2007, **BCF agrees to pay a per diem rate of One Hundred Forty Dollars (\$140.00) per day for each placement of a status offender in DJS custody...**" (Emphasis Added)

W. Va. Code §5A-8-9 states in part:

"The head of each agency shall...

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

Cause:

The BCF Deputy Commissioner stated the DHHR was overcharged by DJS and for this reason payments to DJS were stopped. This overcharge assertion was supported by the errors we noted in the DJS's and the GSJC's records supporting the accounts receivable balance and the amounts invoiced the DHHR. Errors we

noted included, but were not limited to: (1) 19 instances where the residents' status was listed as unknown; (2) 30 instances where the DHHR was billed for juvenile delinquents rather than status offenders; and (3) Nine instances where the days housed as noted in the records did not match the days invoiced, by DHHR.

Invoices were also not timely remitted to the DHHR. The Director of the DJS stated by letter that "the DJS Finance Department has been short staffed for the first half of calendar year 2014...which caused late billings of the invoices submitted to DHHR..." According to the BCF Commissioner, failure of the DJS to submit invoices timely resulted in delays in the ability of the DHHR and the BCF to verify amounts invoiced and remit payment.

Effect: Errors in the amounts invoiced to the DHHR and the failure of the DJS to timely remit invoices to the DHHR has resulted in payment delays. Currently, an undisputed balance of \$644,340 has not been processed by the DHHR and the BCF. These monies, had the invoices been prepared accurately and billed promptly, could have moderated the difficult budget issues faced by the DJS.

Recommendations: We recommend the DJS comply with W. Va. Code 5A-8-9 and the Interagency Agreement quoted above by reconstructing the accounts receivable balance due from DHHR for housing those juveniles for which the DHHR is statutorily obligated to submit payment. Also, we recommend the DJS develop and implement procedures that adequately tracks and documents the placement of status offenders at DJS facilities and that these records be used to create and maintain a receivable account due from the DHHR. We recommend the DJS invoice the DHHR monthly for the housing of status offenders subject to reimbursement by the DHHR. In addition, we recommend representatives from the DJS and the DHHR work to reconcile their differences regarding the outstanding balance owed by DHHR. Finally, we recommend DJS and DHHR representatives attend the first Post Audit Subcommittee meeting after the conclusion of the 2015 Regular Legislative Session and report to the Subcommittee on the agreed-upon amount DHHR owes DJS along with a plan for payment of the outstanding balance.

Spending Unit's Response: See Appendix B

Finding 4

Inadequate Controls and Documentation for Purchasing Cards

Condition:

We reviewed nine purchasing card (P-card) log sheets for one particular GSJC employee and noted six of the log sheets did not have the timely signature approval of the assistant director of budget and finance. These six logs sheets, which documented \$29,840.50 in purchases made by one P-card, were not approved until an average of 161 days after the completion of the log sheets. As per West Virginia Division of Juvenile Services *Policy Number 124.00 7a*, this review should occur at least quarterly. This particular employee's card was used for 63% of the approximately \$76,000 purchases made by P-cards from GSJC's account during our audit period of July 1, 2012 through June 30, 2013.

Also, during our audit of P-card disbursements at the GSJC, we selected a sample of 46 P-card transactions totaling \$9,464.85 in purchases⁶ and noted the following instances of non-compliance:

- (1) Thirty-four purchases totaling \$6,644.47⁷ failed to have adequate supporting documentation. The specifics of the missing documentation are as follows:
 - a. Four purchase transactions totaling \$155.22 had no supporting documentation whatsoever;
 - b. Six purchase transactions totaling \$875.75 had receipts that were illegible and/or parts of the receipts were missing, which resulted in our inability to determine amount billed to ensure proper payment and/or to determine receipt date to verify timely payment;
 - c. One purchase for \$108.02 was supported by an invoice with multiple illegible lines as every other line was blacked out;
 - d. The P-card log sheets were not properly completed for 23 purchases totaling \$5,505.48. Many of the monthly log sheets contained items from multiple months, which made reconciliations to monthly Citibank statements extremely difficult and inefficient since all items listed on the log sheets were not on the Citibank statement. Also, many of the log sheets failed to contain purchase totals and S document⁸ numbers. Such information is necessary if purchase transactions are to be properly reconciled and controlled.

⁶ Sample selected was from a population of 464 P-card transactions (charges) totaling \$75,984.16 in purchases. In addition to selecting individual transactions, we used auditor judgment in selecting a sample of P-card log sheets in order to determine if the log sheets conformed to P-card and agency policies and procedures.

⁷ The purchase transactions with exceptions noted in No. (1) and No. (2) are not mutually exclusive as there are some transactions that failed to have both proper authorization and adequate documentation.

⁸ S Document Numbers are assigned by purchasing card programming. A number is generated for each card transaction. This number is an important control mechanism and a critical component in tracking and reconciling purchasing card transactions.

(2) Eight purchase transactions totaling \$830.53⁹ where proper authorizations were not obtained prior to the purchases as follows:

- a. Five purchases totaling \$475.94 where the purchase requests were approved after the purchases were made.
- b. Two purchases totaling \$246.57 where the facility purchasing agent did not sign the purchase request.
- c. One purchase for \$108.02 where the purchase order was not present.

Criteria:

W.Va. Code §5A-8-9 states in part:

“The head of each agency shall...

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

West Virginia Division of Juvenile Services Policy Number 121.00 states in part:

“...3. Purchase requests exceeding \$5,000 shall require the approval of the Division Director or his/her designee. Purchases from \$300 - \$5,000 shall require the approval of the Facility Director/Superintendent or his/her designee. Purchases of less than \$300 may be approved by a supervisor of the staff member making the request if the supervisor has been designated as being authorized to approve purchases...”

West Virginia Division of Juvenile Services Policy Number 124.00 states in part:

“...3. Purchase Card Transactions and Documentation

a. Facility P-card Program Designee(s) will be responsible for ensuring that all transactions processed by facility cardholders **have been properly authorized by individuals with authority to approve purchases**. Discovery of transactions that have been processed without proper authorization shall be reported to the DJS P-card Coordinator immediately.

b. Facility P-card Program Designee(s) will review and sign each invoice or receipt to **certify that the transaction is in compliance with all**

⁹ The purchase transactions with exceptions noted in No. (1) and No. (2) are not mutually exclusive as there are some transactions that failed to have both proper authorization and adequate documentation.

policies and procedures and that supporting documentation is available in support thereof.

...7. a. Internal Review: The Assistant Director of Budget and Finance will review all P-cardholders' transactions **on a quarterly basis and signoff on their log sheets..." [Emphasis Added]**

Cause: GSJC and the DJS Central Office did not adequately enforce policies and procedures designed to enhance oversight and control over purchasing card transactions.

Effect The GSJC purchased approximately \$76,000 of items by P-card for our audit period of July 1, 2012 through June 30, 2013. Yet, internal controls over P-card purchases were severely lacking and much of the documents necessary to support P-Card purchases were missing or incomplete.

Failing to obtain proper authorization before a purchase could lead to the misuse or abuse of purchasing cards. In addition, purchases could be made at unauthorized vendors at prices more expensive than could be obtained elsewhere.

Failing to follow policies and procedures and produce and maintain required documentation over P-card purchases increases the risk of fraudulent, abusive and improper purchases. In addition, if such purchases were to occur, the risk of failing to detect them is increased. Also, without proper documentation, it is difficult to reconcile transactions. This, in turn, increases the risk that improper purchases would remain undetected resulting in increased operating costs for the facility.

Recommendations: We recommend the GSJC comply with W.Va. Code §5A-8-9 and West Virginia Division of Juvenile Services policies by generating and maintaining proper documentation supporting P-card purchases, obtaining appropriate authorizations prior to making purchases, and ensuring P-card log sheets are timely reviewed.

Spending Unit's Response: See Appendix B

Finding 5

Incomplete Asset Inventory Records

Condition:

Asset (equipment) inventory records at GSJC were missing critical information necessary for us to efficiently and effectively audit the GSJC's equipment assets. The ability for us to conduct an asset inventory audit was further complicated by the fact the GSJC did not maintain one inventory record. Rather, we were provided with three separate records. The records maintained for GSJC assets consisted of:

- 1) A binder that contains WV-102 Inventory Management Forms (GSJC inventory logs). This record listed 791 items;
- 2) An Excel spreadsheet (DJS Central Office listing) of asset items dated 2009. This record contained 724 asset items¹⁰; and,
- 3) GSJC assets recorded in the WVFIMS Fixed Asset Module. This record listed 98 assets.¹¹

We combined the asset information from all three records. After eliminating obvious duplicates where individual equipment items were recorded in more than one of the records, 934 items remained. However, this number may not be accurate since some items appeared to be entered more than once in the same record and the information recorded in the records was often insufficient to make a definitive determination as to whether or not the item entries were duplicates.

In numerous instances the records failed to contain such essential information as item locations, asset inventory tag numbers, serial numbers (when applicable) and acquisition prices. The most notable exceptions included:

1. The item location was not provided for any of the 724 items contained in the DJS Central Office listing;
2. The strike-through feature in Excel was utilized for 39 (5.4%) items in the DJS Central Office listing. After inquiries to DJS personnel, we were informed these items were retired from inventory; however, they were neither removed from the GSJC inventory logs nor the DJS Central Office listing. Additionally, no retirement date or information regarding the retirement was included in either of the records;
3. Tag numbers were either omitted or the phrase "No Tag" was recorded in the records for 17 items in the DJS Central Office listing and one item in the GSJC inventory logs;

¹⁰ This record was provided by the Division of Juvenile Services (DJS). It is our understanding the record was created by DJS personnel during a DJS asset inventory trace conducted in 2009.

¹¹ It was the intent of GSJC to only record items in the WVFIMS Fixed Asset Module that had an acquisition cost exceeding \$100.00. The other two records had numerous items that had an original purchase price of less than \$100.00.

4. The make, model, serial number, vendor, purchase price, purchase date and WVFIMS asset number were frequently omitted from the asset records. One or more of these attributes were omitted from 476 equipment items recorded in the GSJC asset logs, 382 assets contained in the DJS Central Office listing, and 23 assets contained in the WVFIMS fixed asset module.

The WVFIMS asset record provided by the DJS only contained 74 individual equipment items listed as located at the GSJC. These 74 items had an original purchase cost of approximately \$155,000. This WVFIMS record only contained items with an acquisition cost exceeding \$100. Although, this record was generally more complete than the other two records provided to us by the DJS and the GSJC, the record still failed to contain critical information for some items necessary to accurately track and protect GSJC's assets. Also, there were an additional 24 items in the record with acquisition costs totaling approximately \$34,000 where no location was provided. Therefore, neither the GSJC, the DJS nor the audit team can determine from these records if the items were assigned to the GSJC or to other DJS facilities.

Criteria:

W. Va. Code §5A-3-36, as amended, states in part:

“The director shall have the power and duty to:

...Make and keep current an inventory of all removable property...The inventory shall disclose the name and address of the vendor, the date of the purchase, the price paid for the property therein described and the disposition thereof...”

The Division of Juvenile Services *Policy Number 121.02 Asset Control* states in part:

“Division of Juvenile Services’ Central Office, reportable property consists of items of property with an original acquisition cost of \$100.00 or more.

...4. A physical inventory of all reportable property will be conducted by all division facilities every three years. A signed Inventory Management Certification Cover Sheet will be forwarded... no later than July 15 of the reporting year.”

...5. An annual inventory reconciliation list of reportable property based on the Department of Administration requirement will be completed every year in which a complete physical inventory is not conducted.

...7...It is the responsibility of the Facility Inventory Management Coordinator to ensure that the Master Inventory Control List reflects a current listing of reportable asset property purchased, or otherwise acquired, by the unit

...9. Each facility inventory coordinator will conduct an inventory of all computer towers, laptops, and tablets every year...”

Gene Spadaro Juvenile Center Policy Number 1.21.02 for Asset Control, states in part:

“DEFINITIONS: ...4. Reportable Asset Property: For reporting purposes to the Department of Administration...**For reporting purposes to the Division of Juvenile Services’ Central Office, reportable property consists of items of property with an original acquisition cost of \$25.00 or more...**”

...2. All items of reportable asset property acquired by the facilities and other activities will be recorded...**This master inventory will be maintained by the facility Inventory Management Coordinator...**”

“...7...It is the responsibility of the Facility Inventory Management Coordinator to ensure that the Master Inventory Control List reflects a current listing of reportable asset property purchased, or otherwise acquired, by the unit...”

...8. Reportable asset property, upon acquisition, will be added to the Master Inventory List and a numbered inventory control tag affixed to the property. The tag number will be recorded on the Master Inventory List...”
(Emphasis Added)

Cause: The GSJC and the DJS failed to comply with policies and procedures in creating and maintaining current and complete asset inventory records.

Effect: After combining the various asset records and eliminating the duplicates, the combined original acquisition price of reportable assets was approximately \$400,000. A lack of accurate records may result in missing and stolen items to go unnoticed for an extended period. Also, by not maintaining an adequate inventory listing, it is very difficult and impractical to reconcile the listing to a physical inventory due to the lack of descriptive attributes.

Recommendations: We recommend GSJC and DJS comply with W.Va. Code §5A-3-36, the Division of Juvenile Services *Policy Number 121.02* and GSJC Policy Number 1.21.02 and create and maintain an accurate listing of inventory. The records should contain such essential information as inventory tag numbers, item locations, serial numbers, item descriptions, acquisition dates, and acquisition costs. If applicable for any particular asset, the record should reflect the individual assigned the equipment (e.g., computers) and the retirement date of the equipment no longer in service.

Spending Unit’s Response: See Appendix B

Finding 6 **Failure to Conduct and Report Physical Inventories of Assets**

Condition: State agencies are annually required to submit an inventory of removable property to the Director of the West Virginia Purchasing Division. After requesting copies of the most recent inventory submitted to the Purchasing Division, the Division of Juvenile Services provided us with a copy of an equipment inventory performed in 2009. We subsequently asked DJS for more recent inventory records; however, we received a response stating the 2009 inventory record was the most recent and no additional inventory records were provided.

Criteria: W.Va. Code §5A-3-35, states in part:

“The head of every spending unit...shall, on or before the fifteenth day of July of each year, **file with the director an inventory of all real and personal property and of all equipment, supplies and commodities in its possession...**” (Emphasis Added)

The Department of Administration’s *Surplus Property Operations Manual* Section 2.13 states:

“All agencies are required to take a physical inventory once every three years, and shall have completed such physical inventory by June 30th of the relevant year. The physical inventory shall include Reportable Assets under the agency’s jurisdiction.” (Emphasis Added)

Cause: The GSJC and the DJS failed to comply with procedures in conducting reportable property inventories and submitting the results to the Division of Purchasing.

Effect: Failure to conduct periodic asset inventories and report the results to the Division or Purchasing increases the risk of theft or loss of agency assets.

Recommendations: We recommend the GSJC and the DJS comply with W.Va. Code §5A-3-35 by submitting annual inventories to the W.Va. Division of Purchasing and the Department of Administration Handbook Section 2.13 by conducting asset inventory traces on a triennial basis.

Spending Unit’s Response: See Appendix B

Finding 7

Lack of Authorization and Controls for GSJC Resident Benefit Fund

Condition:

The GSJC has a West Virginia Treasurer's Office approved local bank account for their Resident Benefit Fund (a.k.a., Juvenile Benefit Fund). According to DJS Policy Number 118.01, the purpose of the fund is to purchase "...supplemental supplies and equipment, which would enrich the facilities program activities..." and to "...provide for campus-wide activities which would enhance programming goals of the institution..." The funds deposited into the GSJC Resident Benefit Fund account were derived from commissions from vending machine sales and from donations from community businesses and individuals.

We obtained a legal opinion from Legislative Services that confirmed the DJS did not have the statutory authority to establish and operate such funds at GSJC and other juvenile facilities. After we received this opinion, the Division of Juvenile Services obtained such statutory authority per W.Va. Code §49-5E-6b, which became effective June 2, 2014. However, rather than using a special revenue account provided for in this code section, GSJC has continued to use a local bank account to handle receipts and disbursements for the DJS's resident benefit fund.

In addition to failing to have the legal authority to establish and operate a resident benefit fund, the GSJC had many other noncompliance and internal control issues with the operation of fund as follows:

1. We observed that blank checks were pre-signed with the signature of the former GSJC Director. These checks were left in the checkbook.

We audited 13 disbursement transactions totaling \$2,249.75 made from the Resident Benefit Fund and noted the following issues of noncompliance:

2. Thirteen disbursements (100%) totaling \$2,249.75 lacked supporting evidence that the Superintendent and Business Manager reviewed and authorized the expenditures.
3. Four disbursements (31%) totaling \$1,516.79 where documentation was not maintained; therefore, we were unable to verify whether the items purchased were for the benefit of the residents.
4. Four disbursements (31%) totaling \$310 were used to pay for haircuts for the residents, even though residents' haircuts can be paid from State appropriations.

One of the disbursements audited was a \$727.25 purchase of 79 items from Aeropostale. We reviewed the individual items purchased and noted the following areas of noncompliance:

5. We were unable to ascertain the final disposition of the 79 Aeropostale items (100%) from the records reviewed as the records did not indicate if

the items were given to residents or placed in the Commissary. As a result, these items may have been lost or stolen.

6. We determined 66 items purchased from Aeropostale (84%) totaling \$670.20 were not allowable items for residents. These items included jeans, tank tops, colognes, perfumes and shirts. Some of these items qualify as State mandated items and, as such, are provided for in the budget, while other items are prohibited items for residents.

Another one of the audited disbursements totaling \$579.54 was for 186 items purchased from Walmart. We reviewed these items and noted the following areas of noncompliance:

7. We were unable to determine the final disposition of 121 of the Walmart items (65%) totaling \$423.34 from the records reviewed as the records did not indicate if the items were given to residents or placed in the Commissary. As a result, these items may have been lost or stolen.
8. We determined that 84 of the items purchased from Walmart totaling \$377.85 were not allowable items for residents. The items purchased included fleece throws, body wash, earrings, sheets, Christmas party supplies and other personal items. Some of these items qualify as State mandated items and, as such, are provided for in the budget, while other items (e.g., earrings) are prohibited items for residents.

For our audit of Resident Benefit Fund revenues we selected a sample of ten receipts totaling \$2,427.34. We noted the following areas of noncompliance:

9. None of the ten receipts (100%) were recorded in a cash receipts log, as required by DJS policy, nor were receipt forms created or maintained for these receipts.
10. For two receipts (20%) totaling \$1,455 documentation was not maintained regarding deposits. Copies of checks and receipt forms were either not created or maintained. Also, documents verifying the deposits did not contain a breakdown of the individual receipts making up the deposits. As a result, we could neither determine the source (i.e., who donated the monies) nor the form (i.e., cash, check, etc.) of these deposits.

Seven of the receipts audit sample totaling \$909.30 were for commissions paid from Mountain Vending. For these receipts, we noted the following areas of noncompliance:

11. We noted seven instances (100%) where we were unable to determine when GSJC actually received a commission check from Mountain Vending. A receiving log was not kept nor was the check marked with a receipt date.

12. We noted seven instances (100%) where we were unable to determine if invoices were correct. GSJC did not receive documentation verifying the total amount collected from the vending machines from Mountain Vending. Therefore, we were unable to determine if GSJC received the proper percentage from vending machine sales.

Criteria:

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

“(a) All officials and employees of the state authorized by statute to accept monies on behalf of the State of West Virginia **shall keep a daily itemized record of monies received for deposit in the State Treasury and shall deposit within one business day** with the State Treasurer all monies received or collected by them for or on behalf of the state for any purpose whatsoever...”
(Emphasis Added)

West Virginia Division of Juvenile Services Policy Number 117.00 states in part:

“...5. **Cash receipts shall be entered in the cash receipts log** by the business office staff or designee, verified for the accuracy of the records received and maintenance of funds, reviewed on a daily basis including funds and transaction records and deposited in a local bank...” **(Emphasis Added)**

West Virginia Division of Juvenile Services Policy Number 118.01 states in part:

“...2. Receipts and Expenditures:

a. **Staff must provide a receipt** for all funds accepted for deposit into the Benefit Fund.

b. **The Superintendent and Business Manager or designee will review and authorize** appropriate expenditures. **(Emphasis Added)**

3. Use of Funds:

a. The Juvenile Benefit Fund shall be used in any of the following ways:

i. **For the purchase of supplemental supplies and equipment, which would enrich the facilities program activities.**

ii. **To provide for campus-wide activities which would enhance programming goals of the institution.**

b. It is **not the intent** of the Juvenile Benefit Fund **to subsidize state mandated services, commodities or facility staff. Any use of this fund that benefits any facility staff is prohibited.** **(Emphasis Added)**

Gene Spadaro Juvenile Center Procedure Number 1.19 states in part:

“... **The Facility Director is responsible for the control and preparation of expenditures** for their facility. The Facility Director is responsible for the monitoring of the facility’s expenditures to ensure proper control is maintained

over said expenditures. In carrying out these duties, the following tasks shall be accomplished:

... **Safe guard the transfer of all cash and/or negotiable funds in the following manner:**

- 1. Issuing receipts for all funds received**
- 2. Requiring receipts and documentation for all facility funds passed from one staff member to another.**

... Control of Checks. ...**This account requires pre-approval of expenditures prior to purchases.** Two signatures are required on all checks.” **(Emphasis Added)**

Cause: The GSJC did not have statutory authority to operate the Resident Benefit Fund during our audit period. Also, the GSJC did not adequately adhere to policies designed to minimize the risk that Resident Benefit Fund monies might be lost, stolen, used for personal gain or used to purchase prohibited items.

Effect: By maintaining and operating an outside bank account for which no authority exists, more opportunity exists for fraud and/or abuse due to the lack of oversight and lack of procedures overseeing the account.

Not issuing receipts for donations and maintaining a daily record of monies received makes it difficult to reconcile the fund. Not completing and maintaining prior authorization for purchases may lead to purchases that do not benefit the programming of the agency. By not obtaining prior approval for purchases; abuse and/or fraud is more likely to occur. Also, the lack of documentation maintained regarding items purchased increases the risk of theft and misuse.

The GSJC made purchases, such as haircuts and commissary items, for items provided for in the budget. This could result in a reduction in the budget, causing the agency to lose funding in these areas.

The individual receiving monies and making deposits for the account also had signature authority to make purchases. The lack of segregation of duties allows for theft and misuse of funds. The account required dual signatures; however the individual who also had signature authority pre-signed checks for convenience. This practice increases the risk of theft and misuse of funds.

We saw receipts for numerous purchases, but saw no evidence that these items were given to or used for the benefit of the residents of GSJC. Certainly, there were ample opportunities for the employee in charge of the fund to steal the items purchased with fund monies. Although, we cannot say with certainty that items were stolen.

Recommendations: We recommend the GSJC comply with W.Va. Code §12-2-2, as amended, and DJS Policy 117.00 by keeping a daily itemized record of all monies received. Also, we recommend the GSJC, to the extent practical, segregate certain duties

related to the recording, receipt and disbursement of resident benefit fund monies. The GSJC should also follow West Virginia Division of Juvenile Services Policy Number 118.01, by issuing receipts for all monies received and ensure that the expenditures are for the enrichment of facility programming. During our audit period, the Resident Benefit Fund was not authorized by statute. Such authorization has now been granted through W.Va. Code §49-5e-6b; however, the statute requires that resident benefit monies be deposited into a State special revenue account. The GSJC has continued to deposit these monies in a local bank account. Therefore, we recommend these monies be transferred into a special revenue account and the local bank account be closed.

**Spending Unit's
Response:**

See Appendix B

**DIVISION OF JUVENILE SERVICES
GENE SPADARO JUVENILE CENTER
JULY 1, 2012 – JUNE 30, 2013**

APPENDIX A – SUPPLEMENTAL INFORMATION

**DIVISION OF JUVENILE SERVICES
GENE SPADARO JUVENILE CENTER
JULY 1, 2012 – JUNE 30, 2013**

OVERALL SUFFICIENCY OF EVIDENCE

The auditors determined the overall sufficiency and appropriateness of evidence to provide a reasonable basis to persuade a knowledgeable person that the findings and conclusions, within the context of the audit objectives, are supported by sufficient evidence and resulted in reasonable findings. The team evaluated the evidence obtained by reviewing original source documents, assessing information documented in various information systems used by the Division of Juvenile Services (DJS) and using auditor judgment. The manager reviewed all audit documentation throughout the audit and concluded the evidence supports our objectives.

All testimonial evidence obtained by the audit team was evaluated for objectivity, credibility, and reliability and was obtained under conditions in which the employee was able to speak freely without intimidation. The employees had direct knowledge of their working area and there was no evidence employees were biased. The sufficiency and appropriateness of computer processed information was assessed as outlined in Section 6.66 of GAGAS, regardless of whether the information was provided to the auditors or was independently extracted. The audit team used an Internal Control Questionnaire, assessed the reliability and integrity of data, performed analytical reconciliations, and tested the supporting documentation.

The auditors performed and documented an overall assessment of the collective evidence used to support findings and conclusions, including the results of any specific assessments conducted to conclude on the validity and reliability of specific evidence, in accordance with Section 6.69 of GAGAS, by documenting internal controls and performing tests with an appropriate sample size.

The overall evidence obtained was relevant to the objectives and findings. All evidence supported the findings, giving validity to having a reasonable basis for measuring what was being evaluated. The overall evidence was reliable when tested and can be verified and supported. In establishing the appropriateness of the evidence as a whole, the auditors tested reliability by obtaining supporting documentation, used statistical and non-statistical testing, used original documents when testing, verified the credibility of testimonial evidence, evaluated analytical review, assessed risk through Internal Control Questionnaires and used auditor judgment on the overall evidence.

When assessing the sufficiency and appropriateness of evidence, the auditors evaluated the expected significance of evidence to the audit objectives, findings, and conclusions, available corroborating evidence, and the level of audit risk as described in Section 6.71 of GAGAS, by using professional judgment and statistical sampling to determine a sufficient quantity for the testing and to determine the type of evidence needed based on the audit objectives.

The auditors did not identify any other limitations or uncertainties in evidence that were significant to the audit findings and conclusions.

**DIVISION OF JUVENILE SERVICES
GENE SPADARO JUVENILE CENTER
JULY 1, 2012 – JUNE 30, 2013**

Fund Listing

We have completed a post audit of the GSJC. The examination covers the period of July 1, 2012 through June 30, 2013.

GENERAL REVENUE ACCOUNTS

The Division of Juvenile Services (DJS) maintained the following accounts:

<u>Fund Number</u>	<u>Fund Name</u>
0570	DJS General Fund ¹²

SPECIAL REVENUE ACCOUNTS

DJS maintained the following special revenue accounts. These accounts represent specific 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:

<u>Fund Number</u>	<u>Fund Name</u>
6401	Juvenile Detention School Lunch Program
6402	Industrial Home for Youth School Lunch Program
6403	Davis Center National School Lunch Program
6408	Juvenile Services Status Offender Fund

Juvenile Detention School Lunch Program

Inter-agency federal payments to participate in the Juvenile Detention School Lunch Program.

Industrial Home for Youth School Lunch Program

Inter-agency federal payments to participate in the Juvenile Detention School Lunch Program.

Davis Center National School Lunch Program

Inter-agency federal payments to participate in the Juvenile Detention School Lunch Program.

Juvenile Services Status Offender Fund

Revenues from DHHR for the monitoring of funds reimbursed to the Division of Juvenile Services for Housing Status Offenders.

¹² Appropriated Fund

**DIVISION OF JUVENILE SERVICES
GENE SPADARO JUVENILE CENTER
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METHODOLOGY

To achieve our objectives, we reviewed applicable W.Va. Code sections, applicable rules and regulations, and policies of GSJC and WVDJS. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observations of GSJC's operations, and through inspections of documents and records. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Additionally, we reviewed the budget, studied financial trends, and interviewed GSJC personnel to obtain an understanding of the programs and the internal controls respective to the scope of our audit. In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk.

To select transactions for testing, a variation of non-statistical and statistical sampling was used. Our samples of transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. Some transactions for testing were selected randomly using RAT-STAT statistical software and other transactions were selected for testing using professional judgment.

We conducted our post audit, which is a performance audit, in accordance with the standards applicable to performance audits contained in GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe 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 GSJC'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 GSJC's compliance with those requirements.

We have included a more detailed explanation of the methodology used to achieve each objective below.

OBJECTIVE 1

Determine if the internal controls regarding purchasing card transactions are functioning properly as required by the WV State Auditor's Office *Purchasing Card Policies and Procedures*, implemented under the authority of West Virginia Code §12-3-10a. In doing so, we shall determine that cards are used only for official state purposes (Policies & Procedures 2.5.2) and transactions have been properly reconciled (Policies and Procedures 7.0), cardholder agreement forms are complete and filed (Policies and Procedures 4.3) and purchases are supported by receipts and receiving reports when applicable (Policies and Procedures 7.1) . Further, we will test for evidence of improper card delegation (Policies and Procedures 4.4) and for fraud, misuse and abuse (Policies and Procedures 9.0).

METHODOLOGY

To obtain our objective, we used the Windows RAT-STATS Statistical Software to determine the random numbers to use in the sample determined by the attributes detailed in Sample Selection A1. We used auditor judgment to select additional transactions that appeared unusual or suspicious and selected them for testing.

We obtained all supporting documentation for the purchasing card purchases selected for testing. This included the WVFIMS cover sheets, Citibank master billing statements, the p-card log sheets, vendor receipts and invoices and the signed purchase order authorized by appropriate supervisor, bid quotations (if applicable), hospitality forms (if applicable) and the receiving report or alternative documentation of receipt, as required. For each cardholder selected, we obtained copies of the Cardholder application and the Purchasing Cardholder agreement.

We reviewed the vendor's invoice, the cardholder's copy of the sales slip/sales draft, and the p-card log sheet to determine that the amount paid on the invoice is mathematically correct. Verify that the price on the invoice and the purchasing report, if applicable, are consistent. Recalculate the footings and extensions on the invoices. Verify taxes were not charged on invoices from WV vendors. Determine whether the p-card payment transaction was properly paid and calculate the difference between the paid amount and the audited amount.

RELEVANT LAWS, POLICIES, AGREEMENTS

- W. Va. Code §5A-8-9
- West Virginia Division of Juvenile Services Policy Number 121.00
- West Virginia Division of Juvenile Services Policy Number 124.00

OBJECTIVE 2

Determine if inventory is properly managed, documented and if asset tags are properly maintained in accordance with, West Virginia Code §5A-3-35, West Virginia Division of Juvenile Services policy 121.02 and Purchasing Division Inventory Management and Surplus Property Disposition Policies & Guidelines §2.3.

METHODOLOGY

To obtain our objective, we used auditor judgment to determine the random items to use in the test sample. We again used auditor judgment to select additional items that appeared unusual or suspicious and selected them for testing.

We obtained all supporting documentation for the inventory items selected for testing. This included the WVFIMS inventory records, GSJC Asset Control Log sheets, DJS Inventory record sheets, DJS Purchasing records and, if applicable, all required physical inventory count records. For each item selected, we obtained copies of all applicable inventory log sheets, and purchasing records.

We reviewed the WVFIMS records, the GSJC Asset Control Log, the DJS Inventory Log spreadsheet to determine that the properly recorded, tagged, and if inventory was periodically counted. Verified, if applicable, when the item was turned in as an unserviceable scrap item all

records for the items were consistent. We determined if all physical inventory counts were conducted as required, and if items recorded were physically present at the facility.

RELEVANT LAWS, POLICIES, AGREEMENTS

- West Virginia Code §5A-3-35
- West Virginia Division of Juvenile Services policy 121.02
- Purchasing Division Inventory Management and Surplus Property Disposition Policies & Guidelines §2.3.

OBJECTIVE 3

Determine if the Gene Spadaro Juvenile Center is receiving proper reimbursement rates, as stated in contracts for medical and other treatment of juveniles in the custody of the division of juvenile services and in accordance WV Code §49-5E-6. Also, determine that monies reimbursed by the Department of Health and Human Resources were properly deposited into Division of Juvenile Services accounts. Determine that the use of reimbursement monies comply with W.Va. Code and other rules and regulations. Also, ensure that construction projects and other purchases financed with these monies have been properly safeguarded.

METHODOLOGY

To achieve our objective, we prepared procedures for reimbursements by interviewing proper DJS and GSJC personnel. We then obtain a copy of the Status Offender Accounts Receivable Report Excel spreadsheet, and Case Manager Resident Reports for Gene Spadaro Juvenile Center from the Division of Juvenile Services Central Office. Additionally, utilizing these two reports we attempted to reconcile each resident's case and identification numbers and corresponding information. In addition, we requested copies of invoices, for our audit period, from DJS Central Office sent to DHHR regarding billings for the care and housing of juvenile status offenders pursuant to the 2007 agreement between DJS and DHHR. Utilizing the Case Manager Reports we attempted to determine the total number of days housed for each resident and compare to number of days billed by DJS. In conclusion, we attempted to trace each transaction back to the supporting documentation and determine if proper documents are present and determine if transactions were processed according to all state and DJS policies and procedures.

RELEVANT LAWS, POLICIES, AGREEMENTS

- **WV Code §49-5E-6**
- **WV Code §49-5B-5a**
- **WV Code §5A-8-9 states in part**
- **An Inter-Agency Agreement between the Department of Military Affairs and Public Safety, Division of Juvenile Services and the Department of Health and Human Resources, Bureau for Children and Families**

OBJECTIVE 4

Determine if employees and officers have the necessary qualifications and training as required by West Virginia Code §49-5E-5 & 5a, applicable West Virginia Division of Juvenile Services Policies (162.00), as well as Section 23 of the WV Division of Personnel's Legislative Rule 143, Series 1 (143CSR1) and Section 4 of WV Legislative Rule 101, Series 1 (101CSR1).

- Training programs must meet standards endorsed by the office of juvenile justice and delinquency prevention of the office of justice programs of the U.S. department of justice.
- Salary and benefits must be consistent with approved plan of Division of Personnel compensation under WV Code Section 5, Article 6, Chapter 29. Priority of hiring goes to applicants in good standing at a county or local jail that was closed due to the opening of a regional jail.
- New DJS employees will receive forty hours of orientation training before undertaking assignments. New correctional officers and treatment staff will receive an additional 120 hours at the Division Academy during their first year. All staff that has contact with residents will receive 40 hours annually of specialized training in different topics to assist with handling resident issues. Including mandatory course Pressure Point Control Tactics.
- Managerial staff must complete the Division of Personnel Supervisor/Manager Training Program.
- Each agency shall provide functional training to employees based upon agency and employee needs and resources.
- Division of Personnel shall make available technical assistance in organization development, course design, and to provide training on specific aspects of personnel administration.
- Directors shall issue a written policy outlining the training program and requirements for the program. The Director's written policy will adopt, at a minimum, the American Correctional Association's Standards for Juvenile Detention Centers.

METHODOLOGY

To achieve our objective, documentation was obtained showing the required training for each job classification at the facility. Additionally, copies of job descriptions and qualifications for position classifications at the facility were obtained. A sample of training and personnel records for testing using auditor judgment were selected. These records consisted of one sample for each of the staff job classifications at GSJC. We verified through observation the required training had been completed, educational requirements were met, and applicants were properly screened prior to hiring.

RELEVANT LAWS, POLICIES, AGREEMENTS

- West Virginia Code §49-5E-5 & 5a
- West Virginia Division of Juvenile Services Policies (162.00)
- Section 23 of the WV Division of Personnel's Legislative Rule 143, Series 1
- Section 4 of WV Legislative Rule 101, Series 1

OBJECTIVE 5

Determine if GSJC collects any revenue from inside functions, such as employee meals, vending machine collections, or commissary items for residents. If so, determine if collections are properly accounted for in accordance with WV Code §12-2-2 and West Virginia Division of Juvenile Services Policy Number 117.00.

METHODOLOGY

To achieve our objective, each transaction was tested. We performed a cash count and reconciled meal tickets sold per the receipt book to the meal tickets on hand. Documentation was obtained from the agency regarding all revenues and expenses associated with the Resident Benefit Fund. Additionally, we obtained bank statements and other documentation from the bank, including copies of checks written and deposit documentation, which documents any expenses or revenues associated with the Fund. Utilizing the documentation, the auditors determined if proper documentation was maintained for the receipt of revenues and expenditures.

RELEVANT LAWS, POLICIES, AGREEMENTS

- W. Va. Code §12-2-2
- W. Va. Code §5A-8-9
- Legislative Rule Title 112, State Treasurer's Office, Series 3, Section 3.1
- Section 3 of the West Virginia Handbook for Spending Units
- West Virginia Division of Juvenile Services Policy Number 117.00
- Gene Spadaro Juvenile Center Procedures Number 1.17
- Gene Spadaro Juvenile Center Procedure Number 1.19

**DIVISION OF JUVENILE SERVICES
GENE SPADARO JUVENILE CENTER
JULY 1, 2012 – JUNE 30, 2013**

APPENDIX B – AGENCY RESPONSE TO AUDIT FINDINGS



STATE OF WEST VIRGINIA
DEPARTMENT OF MILITARY AFFAIRS & PUBLIC SAFETY
DIVISION OF JUVENILE SERVICES
STEPHANIE BOND, DIRECTOR

EARL RAY TOMBLIN
GOVERNOR

1200 Quarrier Street
Charleston, WV 25301
Telephone: (304) 558-9800
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JOSEPH C. THORNTON
CABINET SECRETARY

9 January 2015

Mr. Denny Rhodes, Director
Legislative Post Audit Division
Building 1, Room W-329
State Capitol Complex
Charleston, WV 25305-0610

Dear Mr. Rhodes,

This letter is in response to an audit your division conducted on the Gene Spadaro Juvenile Center for the dates 1 July 2012 – 30 June 2013.

Finding 1: Approximately \$3.5 million spent by DJS on abandoned project

Response: The WV Division of Juvenile Services (DJS) did spend approximately \$3.5 million to renovate a former facility. This project was stopped and renovation ceased after ensuring the buildings were enclosed properly. There are various reasons for the decision to close including issues with staffing a nearby juvenile facility. The property at the former Davis Juvenile Center and the buildings on such property are to revert back to the Department of Natural Resources (DNR) as stated in our lease agreement. It is our understanding that DNR is working with the Department of Agriculture and the Division of Corrections (DOC) for the facility to be turned into a canning facility operated by the Department of Agriculture with food raised at facilities operated by the DOC and from local farms. Mr. Walt Helmick expressed this information to the Tucker County Commission and Tucker County Development Authority during the last week in November 2014. Mr. Helmick stated his plans are to be in operation by fall of 2015.

Finding 2: Failure to Insure Buildings at the Davis Center

Response: We agree with the findings and will comply with the recommendations. There appeared to be confusion by our Director of Finance on which buildings had been demolished and therefore she took the Education/Administration Building off when in fact it was only an Educational / Vocational Building that was demolished. Manheim Construction carried construction insurance on the Education / Administration Building from 2011 until approximately late 2013. Regarding the storage shed, it was previously a pavilion. It was enclosed and turned into a storage building in 2010, however our Director of Finance reports she was not aware of such. Both buildings were added to our BRIM policy on 8 January 2015.

Finding 3: Conflicting DJS and DHHR positions on accounts receivable balance.

Response: In prior years, there were issues with receiving the correct information from the facility, the courts, and others involved with the residents case. Various guidelines have been put into place during the last couple years to assist in this process. However, there are still issues where the information that we receive is different from the information that DHHR has. For example, the information that we receive from the courts may state the juvenile's charge was a status offense, however that juvenile may have had prior delinquency offenses that we were not aware of or even though we may have been aware of the delinquency charges, the reason for the youth needing detention was due to his status offenses not the delinquency offenses. It also appears that some of the problems with diverse information between DJS and DHHR is due to incorrect information given to our Central Office by facility staff and the DHHR line staff entering erroneous information into the DHHR "FACTS" data system. To assist with some of these discrepancies on our end, DJS will begin submitting the resident's court order with the invoice to show the information we have. Furthermore, although the agreement between our two agencies focuses on the chronic runaway status offender youth, the courts more often commit truancy or incorrigible residents to us. Even though they are both status offenders, there has been some issue regarding payment because the truants and incorrigible are not specified in the agreement.

Regarding the timeliness of the invoices, this has been an issue for the past year. Our employee who is responsible for this has had unforeseen medical complications which resulted in her being on medical leave for 6 of the past 11 months. Although best practice would be to have a backup staff person to perform this task, because of the complicated nature of the billing and process coupled with a lack of available staff, this was not the case. It is our hope that she returns to us full time next week and this will not be a future issue.

Finding 4: Inadequate controls and documentation for purchasing cards

Response: We agree with the findings and recommendations. A new employee has taken over this responsibility and another level of supervision, at Gene Spadaro as well as other facilities throughout the Division, has been added to assist with improving internal controls. We are also evaluating any changes that need to be made in and/or by our Central Office.

Finding 5: Incomplete asset inventory records

Response: We agree with the findings and recommendations. A new employee has taken over this responsibility and another level of supervision has been added to assist with improving internal controls. We are also evaluating any needed changes by our Central Office and /or Policy Directive regarding asset and inventories.

Finding 6: Failure to conduct and report physical inventories of assets

Response: We agree with the findings and recommendations. A new employee has taken over this responsibility and another level of supervision has been added to assist with improving internal controls. We are also evaluating any needed changes by our Central Office and /or Policy Directive regarding asset and inventories.

Finding 7: Lack of authorization and controls for GSJC resident benefit fund

Response: When initially made aware of this issue, a DJS internal investigation occurred. Our findings were the same as your auditors. Unfortunately, the employees responsible for this are no longer employed by DJS so disciplinary action could not be taken. However, we immediately changed the authorization process and control for this fund. We will be working with the WV State Treasurer's Office regarding the issue with the bank account.

I appreciate the communication and cooperation that we have had with your Division, as well as for this vital information. The WV Division of Juvenile Services will work diligently to remedy all deficiencies noted and to improve our financial accountability and controls. We will be represented at the first Post Audit Subcommittee meeting after the conclusion of the 2015 Regular Legislative Session as requested. If there is anything else we can provide you, please don't hesitate to let me know.

Sincerely,



Stephanie Bond
Director

Cc: Joseph C. Thornton, Cabinet Secretary

**DIVISION OF JUVENILE SERVICES
GENE SPADARO JUVENILE CENTER
JULY 1, 2012 – JUNE 30, 2013**

APPENDIX C – DAVIS CENTER IMAGES

**DIVISION OF JUVENILE SERVICES
GENE SPADARO JUVENILE CENTER
JULY 1, 2012 – JUNE 30, 2013**



Photographs by Perry Bennett