

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

***MARSHALL UNIVERSITY
HOUSING AND DINING FUND***

FOR THE PERIOD

JULY 1, 1998 - JUNE 30, 2000



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

MARSHALL UNIVERSITY
HOUSING AND DINING FUND
FOR THE PERIOD
JULY 1, 1998 - JUNE 30, 2000

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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CHARLESTON, WEST VIRGINIA 25305-0610

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the Marshall University Housing and Dining Fund.

Our examination covers the period July 1, 1998 through June 30, 2000. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,


Theodore L. Shanklin, CPA, Director
Legislative Post Audit Division

TLS/jdb

MARSHALL UNIVERSITY
HOUSING AND DINING FUND

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MARSHALL UNIVERSITY
HOUSING AND DINING FUND
EXIT CONFERENCE

We held an exit conference on September 10, 2001 with Dr. K. Edward Gross, Senior Vice President for Operations, Herbert J. Karlett, Senior Vice President for Finance and other representatives of Marshall University. All findings were reviewed and discussed. The University's responses are included in bold and italics in the Summary of Findings and Responses and after our findings in the General Remarks section of this report.

MARSHALL UNIVERSITY
HOUSING AND DINING FUND

INTRODUCTION

The mission of Marshall University's Department of Residence Services is to provide safe, clean, well maintained facilities that foster an atmosphere conducive to each resident student's personal growth and academic success. Learning opportunities to supplement the classroom experience are provided through educational, cultural, and social programs. The six residence halls at Marshall University are conveniently located on the main campus close to classrooms, recreational facilities, and the downtown Huntington shopping areas. Two residence halls, Buskirk and Twin Towers West are for women only. Hodges Hall and Twin Towers East are all-male halls, while Holderby and Laidley house both men and women. All residence hall rooms are wired for internet access and have basic cable at no extra charge.

Sodexo Marriott Management, Inc. has been contracted to provide food service for Marshall University by operating various facilities that offer food and snacks throughout the Marshall University campus. A variety of meal plans are available to students. All residential students residing in the residence halls are required to select a meal plan. Freshman and Sophomore students are required to choose from a 19 or 15 weekly meal plan. All other students may choose from a 19 or 15 weekly meal plan, or a 10, Monday through Friday meal plan. In addition to the regular board plans, special "points" plans are offered to allow for additional food purchases, as well as purchases of books, supplies, campus wear.

MARSHALL UNIVERSITY
ADMINISTRATIVE OFFICES AND STAFF

June 30, 2000

Dr. Dan Angel President
(January 2000 - Current)

Mike Perry (Interim) President
(August 1, 1999 - December 31, 1999)

Dr. J. Wade Gilley President
(August 1, 1991 - July 21, 1999)

Dr. K. Edward Gross Senior Vice President for Operations

Herbert J. Karlet Senior Vice President for Finance

Ted W. Massey Associate Vice President for Finance

Larry e. Barnhill Director of Accounting

Barry Beckett Director Student Financial Systems / Bursar

Perry Chaffin Director of Audits

William J. Shodel Director of Purchasing and Materials Management

Department of Residence Services

Winston A. Baker Director of Residence Services

Molly McClemmen Assistant Director of Residence Services

JoAnn Wetherall Supervisor of Housing Assignments

Lola Stratton Business Manager

MARSHALL UNIVERSITY

HOUSING AND DINING FUND

SUMMARY OF FINDINGS, RECOMMENDATIONS, AND RESPONSES

Lack of Effective System of Internal Controls

1. During the course of our examination, it became apparent to us, based on the observed noncompliance with the West Virginia Code, Marshall University (Marshall) did not have an effective system of internal controls in place to ensure compliance with the applicable State laws, rules and regulations. We believe an effective system of internal controls would have alerted management to these violations at an earlier date and allowed more timely corrective action.

Auditor's Recommendation

We recommend the University comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and establish an effective system of internal controls that will serve to alert management to areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

Agency's Response

The University has reviewed and corrected each area specified in this report and will continue to monitor performance to assure compliance with our control procedures. (See pages 12-14)

Monitoring of Food Service Contract

2. Marshall University is not properly monitoring the food service contract to ensure the contractor is in compliance with all the terms and provisions of the contract.

Auditor's Recommendation

We recommend Marshall University monitor the operations of the campus cafeterias on a regular basis in order to ensure that all provisions of the food service contract are being adhered to by the food service provider.

Agency's Response

We have informed Sodexo concerning our expectations regarding contract compliance. We will continue our goals of full enforcement of the contract. (See pages 14-20)

Improper Use of Hospitality Expense

3. Marshall University's Department of Residence Services paid hospitality expenses for the benefit of its employees totaling \$34,807.06. Included in these hospitality disbursements were \$6,493.70 in payments for employee meals provided away from the Marshall University campus that should have been reported to the IRS, the West Virginia Department of Tax and Revenue and to the employees as taxable income.

Auditor's Recommendation

We recommend Marshall University comply with their Hospitality Policy, the Internal Revenue Service's Publication 15, Chapter 11, Article 21, Sections 12 and 72 of the West Virginia Code, as amended, and Marshall University's Department of Purchasing and Materials Management handbook.

Agency's Response

Marshall University agrees with this recommendation and agrees that the costs for training RAs and RDs should be identified as training cost. Hospitality expenses will not be incurred for employees. (See pages 20-24)

Incorrect Treatment of Worker's Compensation Benefits

4. During our audit, we observed Marshall University allows employees to remain on the payroll and accrue certain employee benefits while they are receiving Temporary Total Disability (TTD) benefits from the West Virginia Worker's Compensation Fund.

Auditor's Recommendation

We recommend Marshall University comply with Chapter 23, Article 4, Section 1 of the West Virginia Code, as amended. Further, we recommend the University review the claims of employees who had received temporary total disability since October 23, 1989, the effective date of the Marshall University Procedures for Worker's Compensation Claims. The University should make appropriate adjustments to annual leave, sick leave, annual increment and employee service credits. Finally, we recommend the University establish a Worker's Compensation policy which conforms to the West Virginia Code.

Agency's Response

Marshall University agrees with this recommendation. Effective September 5, 2001, the University has discontinued the practice of accruing annual leave and sick leave under these circumstances. Previous records will be reviewed and corrected as necessary. (See pages 24-27)

Unauthorized Budget Adjustments

5. When Resident Services expended their quarterly budget allotment, rather than amending their expenditure schedule as required, \$32,402.19 of Residence Services purchasing card transactions were paid from the Special Services Income Fund (4236).

In an attempt to reimburse the Special Services Income Fund, \$37,402.74 of Special Services Income Fund purchasing card transactions were paid from the Housing and Dining Fund(4230) resulting in \$4,978.55 of Housing and Dining Fund monies being spent for Special Services Income Fund obligations.

Auditor's Recommendation

We recommend Marshall University comply with Chapter 5A, Article 2, Section 16 and Chapter 18B, Article 10, Section 13 of the West Virginia Code.

Agency's Response

Marshall University agrees with this finding and will follow the recommendation.

(See pages 27 and 28)

Lack of Controls Over Commuter Meal Plan

6. As a result of a lack of internal controls for the Marshall University Campus ID Office, we were unable to determine if those receiving commuter meal privileges actually paid for them and if payments were actually deposited to the credit of the Housing and Dining Fund.

Auditor's Recommendation

We recommend Marshall University comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and retain copies of all Meal Plan Agreements. We also recommend the University improve internal controls over the receipt of commuter meal plan revenue.

Agency's Response

Marshall University agrees with this recommendation. The Office will continue to review policies and procedures and improve all documentation processes. (See pages 28-31)

Misclassification of Revenues

7. During fiscal years 1999 and 2000 many Residence Services revenues were entered into the WVFIMS system under the wrong revenue source codes.

Auditor's Recommendation

We recommend Marshall University comply with Chapter 5A, Article 2, Section 24 of the West Virginia Code, as amended, and the State of West Virginia Expenditure Schedule Instructions.

Agency's Response

Some coding errors were made when converting to a new finance system. Procedures have been reviewed and appropriate action taken. (See pages 31-33)

Purchasing Card Violations

8. There were 210 instances where purchasing card receipts totaling \$9,490.20 were signed by employees other than the assigned cardholders; also, there were numerous other procedural violations of the purchasing card program

Auditor's Recommendation

We recommend Marshall University comply with the West Virginia State Auditor's Office Purchasing Card Policies and Procedures, Title 128, Series 21, Section 8.10 of the University System of West Virginia and with the Marshall University Purchasing Card Cardholders Manual.

Agency's Response

The institution does agree with the concerns in the reports and will review all policies and procedures. Cardholders will be continuously reminded of the

purchasing card guidelines requiring itemization of receipts, staying within the limits established, and signing their activity logs. (See pages 34-38)

Maintaining Contract Price Lists

9. Marshall University made three purchases totaling \$131,745.75 without consulting the current contract price lists or confirming if the specified percentage discount per was applied to the purchases.

Auditor's Recommendation

We recommend Marshall University comply with the Marshall University Purchasing and Materials Management handbook and confirm and document that purchase prices conform to the discounts or prices specified in purchasing contracts.

Agency's Response

Marshall University will increase efforts to better document adherence to purchasing policy. Price lists are always compared, but the documentation of this activity will be reviewed and improved. (See pages 38-40)

Privilege Membership Reports Not Maintained

10. The ID Office failed to maintain copies of four OPTIM System Privilege Membership reports supporting the amounts invoiced to the Department of Residence Services for meals plans.

Auditor's Recommendation

We recommend Marshall University comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code.

Agency's Response

A new manager of the ID Office has been employed and will develop procedures to insure that Privilege Membership Reports will be reviewed and maintained, and attached to all supporting accounting documents. (See pages 41 and 42)

Late Fees Not Assessed as Required

11. There were six instances where late fees totaling \$60.00 were not assessed for late rental payments as required by the Marshall University Apartment Housing Lease Agreements.

Auditor's Recommendation

We recommend Marshall University comply with the terms of the Housing Lease Agreements.

Agency's Response

Marshall University agrees with this finding and will implement procedures to properly assess late fees. (See pages 42 and 43)

Receipt Forms

12. Marshall University has standard receipt forms that are neither prenumbered nor do they have a place to record the date payments were received.

Auditor's Recommendation

We recommend the University comply with Chapter 5A, Article 8, Section 9 and Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

Agency's Response

Marshall University agrees with this finding and will change the form as recommended. (See pages 43 and 44)

MARSHALL UNIVERSITY
HOUSING AND DINING FUND
GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the Marshall University Housing and Dining Fund. The audit covered the period July 1, 1998 through June 30, 2000.

SPECIAL REVENUE ACCOUNT

All expenditures required for the general operations of the Department of Residence Services and the revenues received for services provided by the Department are accounted for through the following special revenue fund:

<u>FUND NUMBER</u>	<u>DESCRIPTION</u>
4230-640	Housing and Dining Fund

COMPLIANCE MATTERS

Chapter 18B generally governs Marshall University, while Chapter 18B, Article 10, Section 13 specifically authorizes the collection of fees for dormitories, faculty homes, dining halls and cafeterias, as well as authorizing the use of such collections for operating and maintenance costs of providing such facilities. We tested the above plus general State regulations and other applicable chapters, articles and sections of the West Virginia Code, as they pertain to financial matters. Our finding our discussed below.

Lack of Effective System of Internal Controls

During the course of our post audit, it became apparent to us, based on the observed noncompliance with the West Virginia Code and other rules and regulations, Marshall University (Marshall) did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations.

Chapter 5A, Article 8, Section 9(b) of the West Virginia Code 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. . . .”

This law requires the agency head to have in place an effective system of internal controls in the form of policies and procedures set up to ensure the agency operates in compliance with the laws, rules and regulations which govern it.

During our audit of Marshall University, we found the following violations of State laws or other rules and regulations: (1) Marshall University is not properly monitoring the food service contract to ensure adherence to quality standards and other terms and requirements of the contract. (2) Marshall University’s Department of Residence Services paid hospitality expenses totaling \$34,806.96 for “staff meetings”, “staff development” and “training sessions” attended by full time staff and student employees. (3) Nine Department of Residence Services’ employees accrued annual and sick leave valued at approximately \$2,401.00 and \$2,554.00, respectively, and accrued additional service tenure while simultaneously collecting Worker’s Compensation Temporary Total Disability benefits. (4) Rather than submit an amended expenditure schedule, \$32,402.19 of

Residence Services' May-1999 purchasing card transactions were paid from the Special Services Income Fund (4236). Also, in an attempt to reimburse the Special Services Income Fund, during the next fiscal year a total of \$37,380.74 of Special Services Income Fund purchasing card purchases were paid from the Housing and Dining Fund(4230) resulting in an over reimbursement of \$4,978.55.

(5) As a result of a lack of internal controls for the Marshall University Campus ID Office, we were unable to determine if those receiving commuter meal privileges actually paid for them and if payments received for meal plans were actually deposited to the credit of the Housing and Dining Fund. (6) Numerous receipts for Department of Residence Services' were entered into the WVFIMS system under the wrong revenue source code. (7) We noted the following procedural violations of the purchasing card program: (a). 210 instances where purchasing card receipts totaling \$9,490.20 were endorsed by student employees rather than the assigned cardholders. (b). Cardholders do not maintain their own monthly purchasing card log sheets; (c). Two instances where the cardholders failed to sign their monthly purchasing card log sheets. (d). Residence Services was unable to provide us with one cardholder's log sheets and receipts for two months purchasing card payments totaling \$7,222.82; (e). One instance where a receipt for the purchase of pizza totaling \$49.14 was not properly itemized; (f). One instance where a Residence Service's employee circumvented the maximum dollar single transaction limit by paying for items costing \$1,778.58 by stringing invoices. (8) On three instances items totaling \$131,745.75 were purchased without consulting a price list or confirming if the specified percentage discount per the contract was applied to the purchase price. (9) The Marshall University Campus ID Office did not maintain copies of four OPTIM System Privilege Membership reports supporting \$306,155.44 in payments made by the Department of Residence Services to Sodexo Marriott for active meal plans. (10) On six occasions, late fees totaling \$60.00

were not assessed for University Heights' residents who paid rent in excess of 15 days after the due date.(11) Standard receipt forms used by Marshall University are neither prenumbered nor do they have a place to record the date payments were received.

We recommend Marshall University comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and establish an effective system of internal controls that will serve to alert management to areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

University's Response

Marshall University agrees there were some weaknesses noted in our internal control procedures. The University has reviewed and corrected each area specified in this report and will continue to monitor performance to assure compliance with our control procedures.

Monitoring of Food Service Contract

Sodexo Marriott Management, Inc. (the contractor) has been contracted to provide meals for students and others who pay the University for board and commuter meal plans. Meal plan revenues are deposited into the Housing & Dining Fund and the Department of Residence Services makes weekly payments from the fund to the contractor for all active meal plans.

After a review of the food service contract and a review of inventory and procedures in the campus cafeterias, it became apparent to us that the University is not properly monitoring the food service contract to ensure the contractor is in compliance with all terms and provisions of the contract. The contract between Marshall University and Sodexo Marriott specifies the quality and the grade of foods that are to be served in campus cafeterias. In almost every instance the contract specifies only top grade products be used. During a review of inventory in the storerooms, we

noticed several Reliance brand products on hand but the majority of the inventory was Classic brand. SYSCO is the contractor's main supplier of food products and their Reliance brand is one of the lower grade brands SYSCO offers.

We contacted SYSCO to determine the grade of products packaged under the Reliance brand. Based on these conversations and documents provided by SYSCO describing the qualities of the brands offered by the company, we determined the Reliance brand should not be used by the contractor in most instances since these products do not meet the contract specifications, and in some instances the Classic brand may not meet specifications. The Reliance brand products we observed in the stockrooms on the day of our first visit included the following: Chicken Thighs, Chicken Breasts, Chicken Tenderloin Fritters, Frozen Cob Corn, Frozen Mixed Vegetables, Canned Corn, Canned Diced Tomatoes and Catsup. When we visited the stockrooms a second time a few weeks later no Reliance brand products were observed.

The contract between Marshall University and Sodexo Marriott states in part:

"...20. Frozen Foods: All frozen foods shall be U.S. Grade AA or A, depending on specific product used and shall have been packed under continuous inspection under the U.S.D.A....

22. Fresh Poultry: All poultry shall be inspected and passed for wholesomeness by official inspectors by the U.S.D.A. and shall be Grade A or better....

24. Can Foods: All canned foods shall be U.S. Grade A fancy, B choice, or extra standard depending on specific product use...."

A description of various SYSCO brands provided by the company stated in part:

"...***IMPERIAL*** - *The industry's best available quality products, produced in prime growing regions and packed to exceedingly high specification. Simply Excellent!*

Product examples include:

SYSCO Imperial Frozen Vegetables, Fruits and Juices - the top of the USDA Grade A Fancy score range...

SYSCO Imperial Canned Vegetables and Juices - the top of the USDA Grade A Fancy score range

SYSCO Imperial Center of the Plate Products - fresh and frozen meats, poultry, seafood, and dairy products - all of exceedingly high quality and strict specifications...

***CLASSIC** - SYSCO Classic products represent our broadest array of offerings to the Foodservice market. Produced with the same adherence to quality-assured specification, Classic Products most often meet or exceed competitive "top of the line" labels.*

Product examples include:

SYSCO Classic Frozen Fruits, Vegetables and Juices - meet or exceed USDA standards for Grade A Fancy

SYSCO Classic Canned Vegetables - meet or exceed USDA standards for Grade A Fancy...

SYSCO Classic Center of the Plate Products - fresh and frozen meats, poultry, seafood and dairy products - all based on the high quality standards of USDA grades

The Classic Collection also extends to bakery mixes, shortenings and oils, and hundreds of other grocery products.

***RELIANCE** - Economy-positioned products that offer consistency and value to the Foodservice operator. Reliance products are targeted at a level equal to or better than competitive labels of similar grades and quality.*

Product examples include:

...SYSCO Reliance Canned Vegetables - selected from the top of USDA Extra Standard Grade

SYSCO Reliance Frozen Fruits and Vegetables - selected from the top of USDA Extra Standard and Choice Standard Grade."

Since Marshall University is not ensuring that the contractor complies with the contract, students are not always receiving the quality of food set forth in the contract. Marshall University should be monitoring the food service products to ensure the brands used by the contractor meet or exceed the quality specified in the contract. The following chart depicts the prices for the various SYSCO products per case and the price difference for the various brands:

<u>Product</u>	<u>Price</u>	<u>Price</u>	<u>Difference</u>	<u>Price</u>	<u>Difference</u>
	<u>Per Case</u>	<u>Per Case</u>	<u>Reliance Vs.</u>	<u>Per Case</u>	<u>Reliance Vs.</u>
	<u>Reliance</u>	<u>Classic</u>	<u>Classic</u>	<u>Imperial</u>	<u>Imperial</u>
Chicken Thighs	\$41.98	N/A	N/A	N/A	N/A
Chicken Breasts	\$70.32	N/A	N/A	N/A	N/A
Chicken Fritters	\$25.34	\$24.65	\$0.69	N/A	N/A
Frozen Cob Corn	\$14.37	\$16.79	(\$2.42)	N/A	N/A
Frozen Mixed Vegetables	\$18.99	\$19.67	(\$0.68)	\$17.97	\$1.02
Canned Corn	\$17.99	\$18.89	(\$0.90)	\$22.20	(\$4.21)
Canned Diced Tomatoes	\$12.90	N/A	N/A	\$13.88	(\$0.98)
Catsup	\$13.69	\$16.59	(\$2.90)	\$18.65	(\$4.96)

SYSCO does not carry Classic or Imperial brands in the Chicken Thighs or Chicken Breasts. Therefore, the contractor should purchase another brand which meets or exceeds the specifications set forth in the contract.

In addition, we noted frozen eggs were in inventory but very few fresh eggs were on hand. We were told by food service personnel that frozen eggs are used almost exclusively on the serving line. The contract specifies fresh eggs will be used when available.

The contract reads in part:

“...4.0 General Requirements Applicable to all units...

21. Fresh Eggs: All eggs shall be strictly fresh and shall be U.S. Grade A large. When fresh eggs, due to marketing conditions are not available, frozen whole eggs, certified by the U.S.D.A. may be substituted....”

Sodexo Marriott and other bidders based their bids on the terms and quality levels Marshall University specified in the proposal. Marshall University's cafeterias serve approximately 1700 students per week. Use of a product that does not meet the specifications of the contract could result in the contractor saving a significantly large amount of money over the life of the contract. In addition, the use of lower grade products is unfair to other contractors who based their bid prices on product quality specified in the contract.

Additionally, the contract states that the contractor will maintain a count of meal plan participants. This function, however, is being performed by the Marshall University Campus ID Office. Every week a copy of the report listing the active meal plans and memorandum summarizing the contents of the report is forwarded by the ID Office to Sodexo Marriott. Sodexo Marriott, in turn, invoices the Department of Residence Services for active meal plans based on the information provided by the ID Office.

The contract between Marshall University and Sodexo Marriott states in part:

"...7.0 - 12....Contractor shall maintain weekly participation showing the number of board plan participants on each plan. Weekly reports shall be submitted to the Associate Vice President of Operations...."

The food service contract states that all trash cans will be covered and lined. During our initial inspection of the dining facilities we noted all trash cans were indeed lined, however, they were not covered. During a second inspection of the Twin Towers cafeteria we also observed an instance where a trash can was neither lined nor covered.

The contract between Marshall University and Sodexo Marriott states in part:

"...9.0 - 9....The trash cans in the kitchen will all be lined with plastic liners. None will be overflowing, and all will have covers on them...."

Finally, the food service contract states that the Contractor will supply Marshall University with a copy of a cleaning and sanitation schedule. However, the Director of Residence Services stated his Department has never received a copy of the schedule.

The contract between Marshall University and Sodexo Marriott states in part:

“...9.0 - 17. The Contractor shall develop, implement and keep updated the cleaning and sanitation schedule for all equipment in each unit under his control.... The schedule shall be submitted to the University for review and approval....”

We recommend Marshall University monitor the operations of the campus cafeterias on a regular basis in order to ensure that all provisions of the food service contract are being adhered to by the food service provider.

University's Response

We acknowledge that there were no formal procedures in place to inspect the product grade of food deliveries. However, since August 16, 2000 when new administrative oversight began, we have had on-going meetings with Sodexo, which includes inspecting the cafeterias. We have informed Sodexo concerning our expectations regarding contract compliance. Meetings cover contract compliance, cleanliness, food quality, maintenance, housekeeping and staff performance. We will continue our goals of full enforcement of the contract.

Note: 7.04

Marshall University receives 200 complimentary meal passes annually. The Memorial Student Center Manager receives 100 of these and the Director of Residence Services receives 100.

Note: 7.0-12

This finding is based upon the Legislative Auditors quote of the last sentence of the contract. The full text states, "The University shall provide the Contractor with a master list of boarding students authorized to eat on the meal plan at the beginning of each school term. On a weekly basis and as necessary the University will furnish corrections to the master list. The master list and weekly corrections shall be the basis on which the Contractor will invoice the University. Contractor shall maintain weekly participation showing the number of board plan participants on each plan. Weekly reports shall be submitted to the Associate Vice President for Operations." Based on this master list we will insist that the contractor maintain weekly participants on each plan.

Improper Use of Hospitality Expense

During fiscal years 1999 and 2000, Marshall University's Department of Residence Services paid hospitality expenses totaling \$34,806.96 for "staff meetings", "staff development" and "training sessions." These disbursements were primarily used to pay for meals for employees, however, \$1,064.67 was paid for employee "awards" and \$361.25 was paid for trips to a hockey game and to a paintball recreational facility.

On several occasions we were unable to determine from the supporting documentation those employees who were provided meals at hospitality events. However, on those occasions where it was possible to discern the employees in attendance, 39 meals were provided for full time employees and 337 for student employees.

These disbursements are not in compliance with Marshall University's Hospitality Policy, which states in part:

“Expenditures for hospitality are defined as food, non-alcoholic beverages, and related expenses for guest who are not employees of the University.

...Generally, University state funds may not be used for hospitality expenses in the following categories:

- 1. Faculty or staff meetings where a meal or doughnuts and coffee would be served;**
- 2. Receptions, departmental open-houses, parties for other than students, and other social events;**
- 3. Going away or retirement events;**
- 4. Recognition functions where plaques, trophies, or other awards are given to an employee;...”
(emphasis added)**

Also, the start of West Virginia Expenditure Schedule Instructions for fiscal years 1999 and 2000 states in part:

“...042 - Hospitality: Food, non alcoholic beverages and related expenses for the reception of guests (i.e., non-employees of the spending agency) by a spending agency for a specific event or function. See the Agency Purchasing Procedures Manual issued by the Division of Purchasing, Department of Administration....”

Included in these hospitality disbursements was \$6,493.70 in payments for employee meals provided away from the Marshall University campus. Of this amount, \$3,694.19 was paid for meals during periods when campus cafeterias were closed and \$2,799.51 was paid for meals during periods when campus cafeterias were open. These meetings away from campus took place at a variety of restaurants located in the Huntington area, including but not limited to, the following: Hibachi Japanese Steakhouse, Applebee’s, Chilli Willis, the Outback Steakhouse, and Savannah’s Steakhouse. We believe the cost of meals provided for each employee away from the Marshall campus should have been reported to the Internal Revenue Service (IRS), the West Virginia Department of Tax and Revenue, and to the employee on Form-W2 as compensation for that respective employee.

Publication 15, Pages 9 - 10 of the Circular E, Employer's Tax Guide from the Department of the Treasury Internal Revenue Service (IRS) states:

"Meals and lodging. The value of meals is not taxable income and is not subject to income tax withholding and social security, Medicare, and FUTA taxes if the meals are furnished for the employer's convenience and on the employer's premises...." (emphasis added)

The Meals and Lodging section of the IRS's Publication 525 states in part:

"You do not include in your income the value of meals and lodging provided to you and your family by your employer at no charge if the following conditions are met:

1) The meals are:

- a) Furnished on the business premises of your employer, and**
- b) Furnished for the convenience of your employer...." (emphasis added)**

Chapter 11, Article 21, Section 12 of the West Virginia Code, as amended, states in part:

"(a) General. - The West Virginia adjusted gross income of a resident individual means his federal adjusted gross income as defined in the laws of the United States for the taxable year..."

Section 72 of the same Article states in part:

"Every employer required to deduct and withhold tax under this article from the wages of an employee, or who would have been required so to deduct and withhold tax if the employee had claimed no more than one withholding exemption, shall furnish to each such employee in respect of the wages paid by such employer to such employee...a written statement as prescribed by the tax commissioner showing the amount of wages paid by the employer to the employee, the amount deducted and withheld as tax, and such other information as the tax commissioner shall prescribe."

In addition, to the aforementioned meals served off campus, meals were also served on campus. Meals costing \$22,768.07 were served while the dining halls were closed to the student population and meals costing \$4,119.27 were served while the dining halls were open to the student population. It is unclear as to why it was necessary to use hospitality expense to pay for meals when the dining halls are open since part of the compensation for the student employees includes free meals in dining halls.

According to the Business Manager for the Department of Residence Services, hospitality should not be paid for full time employees; however, hospitality is provided for "Student Employees" since they are first and foremost students of the University. Nevertheless, "Student Employees" are employees of Marshall University and their attendance at these meetings and training sessions are a result of this employment. Therefore, we conclude the Marshall University Hospitality Policy prohibits hospitality disbursements for these employees as well as hospitality paid for full time employees. Furthermore, the Marshall University Director of Purchasing and Materials Management, who wrote the Marshall University Hospitality Policy, stated the policy was written to include all employees of the University regardless of their classification.

Also, during fiscal years 1999 and 2000, we were unable to locate the Request for Hospitality Services and Temporary Space (TMO 3.0) forms for seven hospitality cash disbursement transactions totaling \$957.03. TMO 3.0 forms are required supporting documents for all hospitality disbursements.

The Hospitality Expense section of Marshall University's Department of Purchasing and Materials Management handbook states in part:

"...The Request for Hospitality Services and Temporary Space (TMO 3.0) form is required for all hospitality events and should reflect the entire cost of the event to include food and beverage, meeting room

rental, and service charges. Also state the purpose and justification, who will be attending, what is being provided, and the number of participants. Submit the form to Accounts Payable with general encumbrance "E" number annotated on it...."

The Manager of Accounts Payable stated the hospitality forms were probably sent to the West Virginia State Auditor's Office and copies were not maintained at Marshall University. She also stated without hospitality forms the Auditor's Office would not have paid the invoices.

We recommend Marshall University Residence Services comply with their Hospitality Policy, the Internal Revenue Service's Publication 15, Chapter 11, Article 21, Sections 12 and 72 of the West Virginia Code, as amended, and Marshall University's Department of Purchasing and Materials Management handbook, and the Expenditure Schedule Instructions.

University's Response

Marshall University agrees with this recommendation and agrees that the costs for training RAs and RDs should be identified as training cost. Hospitality expenses will not be incurred for employees.

Incorrect Treatment of Worker's Compensation Benefits

Marshall University allows employees to remain on the payroll and accrue certain employee benefits while they are receiving Worker's Compensation Temporary Total Disability (TTD) payments. The general description of the University's Procedures for Worker's Compensation Claims policy, (Payroll Policy #11), states in part:

"...This (compensation) process allows the injured employee to remain on the payroll using accumulated sick leave for the days off work. The employee turns over any Worker's Compensation checks received for the period to the Coordinator of Benefits...."

The procedure currently used by the University, in effect, allows employees: (1) to receive their normal University wages for the entire TTD benefit period and (2) to continue to accrue annual leave, sick leave, and tenure for service and increment purposes, for periods when no services are rendered. During fiscal years 1999 and 2000, nine Department of Residence Services' employees who received TTD benefits accrued a total of 31.43 days sick leave and 33.31 days annual leave valued at approximately \$2,401.00 and \$2,554.00, respectively, for the TTD benefit period. In addition, these same employees were overpaid annual increment totaling approximately \$912.50. Further, the service tenure for these employees increased ranging from approximately three-fourths of a month to five and one-half months. As well as increasing the University's annual increment payroll, the service credit will affect retirement eligibility dates and the accrued sick leave can be converted to paid up insurance premiums upon retirement.

Chapter 23, Article 4, Section 1, of the West Virginia Code, as amended, states in part:

"Subject to the provisions and limitations elsewhere in this chapter set forth, the commissioner shall disburse the workers' compensation fund to the employees of employers subject to this chapter, which employees have received personal injuries in the course of and resulting from their covered employment...:Provided, That in the case of any employees of the state and its political subdivisions,...who have received personal injuries in the course of and resulting from their covered employment, such employees are ineligible to receive compensation while such employees are at the same time and for the same reason drawing sick leave benefits. Such state employees may only use sick leave for non-job related absences consistent with sick leave utilization, and may draw workers' compensation benefits only where there is a job related injury. This proviso shall not apply to permanent benefits: Provided, however, that such employees may collect sick leave benefits until receiving temporary total disability benefits...since the intent of this paragraph is to prevent an employee of the state or any of its political subdivisions from collecting both temporary total disability benefits and sick leave benefits for the same time period, nothing herein may be construed to prevent an employee of the state or any of its political subdivisions from electing to receive either sick leave benefits or temporary total disability benefits but not both"(Emphasis added)

In addition, Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, states:

“No money shall be drawn from the treasury to pay the salary of any officer or employee before his services have been rendered.”

Leave accrual and tenure are earned as services are rendered for the University. Since no services are rendered to the University for the TTD benefit period, there should be no accrual of leave or additional tenure for the period. Although University employees receiving TTD benefits remained on the payroll for the entire benefit period, Chapter 23, Article 4, Section 1 of the West Virginia Code quoted above apparently prohibits this practice. Therefore, if employees receiving TTD benefits are off the payroll in accordance with the Worker’s Compensation law, they should not accrue sick and annual leave or receive service credit.

Also, the Human Resources Department was unable to provide us with Worker’s Compensation Disability Benefit Payment Option Forms for three of the nine employees in our test. The Human Resources Benefits Coordinator told us the employees probably did not complete a form. She added that when this happens an employee’s case is treated as though the employee elected to receive TTD benefits and use sick leave until the first Worker’s Compensation check is received. However, as indicated above, it is the practice of the University to allow employees to remain on the payroll for the entire TTD benefit period, much of which is often after the initial Worker’s Compensation check is received.

We recommend Marshall University comply with Chapter 23, Article 4, Section 1, of the West Virginia Code, as amended. Further, we recommend the University review the claims of employees who had received temporary total disability since October 23, 1989, the effective date of

the Marshall University Procedures for Worker's Compensation Claims. The University should make appropriate adjustments to annual leave, sick leave, annual increment and employee service credits. Finally, we recommend the University establish a Worker's Compensation policy which conforms to the provisions of the West Virginia Code.

University's Response

Marshall University agrees with this recommendation. Effective September 5, 2001, the University has discontinued the practice of accruing annual leave and sick leave under these circumstances. Previous records will be reviewed and corrected as necessary.

Unauthorized Budget Adjustments

When Resident Services expended their quarterly budget allotment, rather than amending their expenditure schedule as is required, all Residence Services purchasing card transactions occurring in the month of May 1999, which were paid in June 1999, were paid from the Special Services Income Fund (4236). The Special Services Income Fund provides special services and special programs at Marshall University, such as: maintenance and operation of parking facilities, microfilming or mechanical reproduction of records. The total paid from the Special Services Income Fund for Residence Services was \$32,402.19. In an attempt to reimburse the Special Services Income Fund, during the next fiscal year a total of \$37,380.74 of Special Services Income Fund purchasing card purchases were paid from the Housing and Dining Fund(4230). As a result, \$4, 978.55 of Housing and Dining Fund monies was spent for Special Services Income Fund obligations.

Chapter 5A, Article 2, Section 16 of the West Virginia Code states:

“The expenditures of a spending unit during a quarter of the fiscal year shall not exceed the amount of the approved allotment, unless the governor approves the expenditure of a larger amount....”

Chapter 18B, Article 10, Section 13 of the West Virginia Code states in part:

“...All fees collected for such services shall be used first to pay the operating and maintenance costs of the dormitories, faculty homes, dining halls and cafeterias and to meet interest, principal and sinking fund requirements due on any outstanding revenue bonds for which such receipts may have been pledged as security. Any such receipts not needed for these purposes may be expended by the appropriate governing board to defray the costs in whole or in part for the construction of any such facility.”

The Manager of Accounts Payable stated that the Housing and Dining Fund ran out of their budgeted quarterly allotment for purchasing card transactions. Therefore, rather than have the expenditure schedule amended, the Office of Accounting paid the Department of Residence Service’s May 1999 purchasing card transactions from the Special Services Income Fund. However, we believe an amended expenditure schedule should have been requested and subsequently approved or disapproved by the Governor.

We recommend Marshall University Residence Services comply with Chapter 5A, Article 2, Section 16 and Chapter 18B, Article 10, Section 13 of the West Virginia Code.

University’s Response

Marshall University agrees with this finding and will follow the recommendation.

Lack of Controls Over Commuter Meal Plan

As a result of a lack of internal controls for the Marshall University Campus ID Office, we were unable to determine if those receiving commuter meal privileges actually paid for them and if payments received for meal plans were actually deposited to the credit of the Housing and Dining Fund. According to a report generated from Marshall’s primary accounting system(Banner), approximately \$102,000.00 was deposited by the Campus ID Office for commuter meals for those school sessions held during fiscal years 1999 and 2000.

The Campus ID Office receives payment from students for commuter meal plans in the form of cash, check, or credit card. Under current procedures, after a student's payment is received by an ID Office employee on a non-prenumbered miscellaneous receipt form, generally the same employee enters the charge for the meal plan in Marshall's primary accounting system (Banner) and activates the meal plan in the Campus-Wide OPTIM9000 System (OPTIM).

OPTIM is the University's system for the recording and accounting of students' privileges, such as, meals, artist series, athletic events, and student voting. Privileges for such activities are turned on or off through OPTIM. A student's account in OPTIM is referenced by his/her ID/social security number on his/her student ID card, and is assessed each time the ID card is swiped at a cardreader at different points throughout the campus.

We were informed by the Manager of the Campus ID Office, there is no routine reconciliation between Banner and the OPTIM System. Therefore, there is no confirmation that only those who have been charged and have paid for meal plans have the privileges activated in OPTIM. According to ID Office personnel, the only way we could determine if a student had received commuter meal privileges without paying for them would be for us to reconcile the Banner System to the OPTIM System. However, this is possible only for the current session since previous session data cannot be accessed from the OPTIM System. Also, there are no hard copy reports containing the necessary information to perform such a reconciliation.

As a result of lack of controls, Commuter Meal privileges can be assigned to a student through the OPTIM System without evidence of payment having been received for such privileges. Also, since the ID Office does not use prenumbered receipt forms and reconciliations between the Banner System and the OPTIM System for commuter meals are not possible prior to the current

session, we were unable to perform audit functions that would enable us to determine whether all receipts for commuter meal plans were received and/or deposited to the credit of Marshall and the Housing and Dining Fund.

Also, for our sample of commuter meal receipts for fiscal years 1999 and 2000, we requested that Campus ID Office provide us with Commuter Meal Agreements. However, the Office was unable to locate Commuter Meal Agreements of six students who purchased commuter meals. The Manager and the former Data Technician of the Campus ID Office told us they did not know why the Meal Plan Agreements could not be located.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, 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....”

Due to the absence of Commuter/Board Meal Plan Agreements we could not readily determine that: (1) a valid contract existed for which Marshall was legally obligated; and (2) Marshall received the correct amount for the meal plan the student selected.

We recommend Marshall University comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and retain copies of all Meal Plan Agreements. We also recommend the University improve internal controls over the receipt of commuter meal plan revenue and retain records or develop a system that requires routine reconciliations of assigned meal privileges and commuter meal receipts. Furthermore, we recommend that records be maintained so that reconciliations may be performed during any subsequent school session.

University's Response

Marshall University agrees with this recommendation. Effective August 17, 2001, all commuter meal plan agreements are filled out, receipted (with appropriate Housing and Dining Fund number), and entered into Banner in the ID Office. The student must pay meal plans with the receipt provided at the Bursar's Office. When paid, the charge is removed from Banner and the receipt is marked "Paid" by the Bursar's Office. The student brings this paid receipt back to the ID Office and the meal plan is then activated in the Optim System. New procedures will also provide a daily reconciliation of all Optim activity, with funds deposited in the Housing and Dining account, at the Bursar's Office. The Office will continue to review policies and procedures and improve all documentation processes.

Misclassification of Revenues

During fiscal years 1999 and 2000 many revenues were entered into the WVFIMS system under the wrong revenue source code. As a result, any statements and reports compiled based on this information would be incorrect and possibly misleading. The following schedule details the net effect of the misclasses for fiscal years 1999 and 2000:

<u>Revenue Source Code</u>	<u>Description</u>	<u>Fiscal Year</u>	<u>Effect Overstated (Understated)</u>
669	Other Rental Income	1999	(\$10,075.24)
679	Tuition and Fees	1999	\$10,730.24
680	Room and Board	1999	(\$649.06)
696	Other Collections Fees, Licenses and Income	1999	(\$5.94)
664	State Park Sales	2000	\$480.68
669	Other Rental Income	2000	(\$28,970.06)

<u>Revenue Source Code</u>	<u>Description</u>	<u>Fiscal Year</u>	<u>Effect Overstated (Understated)</u>
680	Room and Board	2000	\$28,409.38
693	Sales-Other	2000	(\$1,360.73)
696	Other Collections Fees, Licenses and Income	2000	\$1,440.73

Chapter 5A, Article 2, Section 24 of the West Virginia Code, as amended, states:

“It is the intent of this section to establish a centralized accounting system for the offices of the auditor, treasurer, board of investments, secretary of administration and each spending unit of state government to provide more accurate and timely financial data and increase public accountability.

Notwithstanding any provision of this code to the contrary, the secretary shall develop and implement a new centralized accounting system for the planning, reporting and control of state expenditures in accordance with generally accepted accounting principles to be used by the auditor, treasurer, board of investments, secretary and all spending units. The accounting system shall provide for adequate internal controls, accounting procedures, recording income collections, systems operation procedures and manuals, and periodic and annual general purpose financial statements, as well as provide for the daily exchange of needed information among users.

The financial statements shall be audited annually by outside independent certified public accountants, who shall also issue an annual report on federal funds in compliance with federal requirements.

The secretary shall implement the centralized accounting system no later than the thirty-first day of December, one thousand nine hundred ninety-three, and, after approval of the system by the governor, shall require its use by all spending units. The auditor, treasurer, board of investments, secretary and every spending unit shall maintain their computer systems and data files in a standard format in conformity with the requirements of the centralized accounting system. Any system changes must be approved in advance of such change by the secretary. The auditor, treasurer, board of investments and secretary shall provide on-line interactive access to the daily records maintained by their offices.”

Also, the Expenditure Schedule Instructions for fiscal years 1999 and 2000 states in part:

“...Revenue Class 640 (Special Revenue)

...664- State Park Sales: Revenue generated from sales at Blennerhasset Island....

...669- Other Rental Income: Income provided from rental of state assets other than equipment....

...679- Tuition and Fees: Collected by colleges and universities, consisting of registration fees, tuition, special, athletic, HEFT, FIF, HP, college, medical education, off-campus and other fees.

680- Room and Board: Used to record all housing and residence life revenues collected by the higher education institutions....

...693- Sales - Other: Miscellaneous sales....

...696- Other Collections, Fees, Licenses and Income: Miscellaneous collections, fees, licenses, and income....”

The primary financial accounting system used by Marshall University was converted from the College and University Systems (CUFS) to Banner Finance at the beginning of fiscal year 2000. According to the Marshall University Director of Accounting, mistakes and inconsistencies occurred when matching the WVFIMS revenue source codes to those used in the Banner Finance System.

We recommend Marshall University comply with Chapter 5A, Article 2, Section 24 of the West Virginia Code, as amended, and the State of West Virginia Expenditure Schedule Instructions.

University's Response

Some coding errors were made when converting to a new finance system.

Procedures have been reviewed and appropriate action taken.

Purchasing Card Violations

During our test of Marshall University's Department of Residence Service's Purchasing Card transactions, we noted the following procedural violations during fiscal years 1999 and 2000: (1) There were 210 instances where purchasing card receipts totaling \$9,490.20 were endorsed by student employees rather than the assigned cardholders. (2) Cardholders did not maintain their own monthly purchasing card log sheets; (3) There were two instances where the cardholders failed to sign their monthly purchasing card log sheets. In both cases these employees' supervisor signed each employee's name on his respective log sheet. The supervisor then initialed each log sheet indicating that the signatures were not provided by the Cardholders. The purchases for the two months totaled \$2,067.95; (4) The Department of Residence Services was unable to provide us with one cardholder's log sheets and receipts for two months purchasing card payments totaling \$7,222.82; (5) There was one instance where a receipt for the purchase of pizza totaling \$49.14 was not properly itemized; (6) On the same day there were three separate purchasing card transactions made from the same vendor charged on one employee's card. These purchases totaled \$1,778.58 and were for supplies required for lighting installation.

Marshall University's Purchasing Card Cardholders Manual effective September 1, 1998, page 4, states in part:

"Only the authorized cardholder may use the card. Delegation of authority to use the card is not permitted. Vendors may require that the signature on the card match the signature on the receipt. Be prepared to show identification. Photo ID may be required."
(emphasis added)

The Log Sheet Instructions Section of the West Virginia State Auditor's Office Purchasing Card Policies and Procedures, effective July 1, 1998, state in part:

“...Each cardholder is required to maintain a log for recording purchasing card transactions details. Entries must be made as soon possible after goods are purchased or orders placed....The log must be signed by cardholder...” (emphasis added)

The Billing/Reconciling Statements Section of the same Policies and Procedures states
in part:

“...The receipts, credit card statement(s), and other supporting documentation should be attached to the log sheet by the cardholder. The Coordinator will determine where original records will be kept....” (emphasis added)

The Ordering and Receipts Section of the same Policies and Procedures state in part:

**“A receipt is required for all transactions.
...Receipt must be itemized. “Misc.” or “merchandise” is not acceptable....” (emphasis added)**

The Definitions Section of the these same Policies and Procedures state in part:

“...Transaction Limit - For the period beginning July 1, 1998, the maximum dollar amount permitted in a single transaction is \$1,000.00, except for maintenance which cannot exceed \$15,000.00 annually for all colleges and universities and \$10,000.00 annually for all other spending units and utilities, which are unlimited....” (emphasis added)

Title 128, Series 21, Section 8.10 of the University System of West Virginia states in
part:

**“Purchases greater that \$1,000 but not exceeding \$15,000
8.10.1 Insofar as practical for purchases in this category, no less that three qualified vendors shall be solicited to submit written quotations or oral quotations...Awards shall be made to the responsive vendor meeting the requirements of the specifications and offering the lowest acceptable quotation...” (emphasis added)**

As described in Number (1) above, purchasing card receipts were signed by student employees rather than the assigned cardholders. Of the 210 instances noted, the Department of

Residence Services Business Manager's card was used 191 times, the Department of Residence Services Assistant Director's card was used 17 times, and another Residence Services employee's card was used two times. According to the Business Manager, at the time of these purchases student employees did not have purchasing cards. We believe the practice of cardholders allowing others to use their cards increases the risk that cards may be lost, stolen or that purchases may be made that are not in the best interest of Marshall University.

As described in Number (2) above, log sheets are not maintained by cardholders. Rather, a Residence Services Accounting Clerk maintains all cardholder log sheets on computer spreadsheets. The Accounting Clerk stated that all cardholders bring their receipts either to her or to the Residence Services Business Manager. When the purchasing card bank statements are received, the accounting clerk determines if she has all receipts and if they all agree to the bank statement. Once this is completed, log sheets are printed and the cardholders sign the appropriate log sheet.

In response to Number (3) above, the Residence Services Business Manager stated that due to a deadline in submitting the purchasing card documentation to Accounts Payable, it is not always possible for cardholders to sign their own log sheets. If a cardholder is off work for any reason and log sheets are due in Accounts Payable, the supervisor over that employee will sign the cardholder's name and initial the log sheet. Furthermore, the Director of Residence Services stated in a memorandum that Marshall University's Accounting Department instructed the Department of Residence Services to require Supervisors to sign cardholder log sheets when cardholders are on sick leave, annual leave or otherwise unavailable.

As conveyed in Number (4) above, the Department of Residence Services was unable to provide us with one cardholder's log sheets and receipts for two months purchasing card payments.

The Accounting Clerk responsible for maintaining purchasing card records stated the documents may have been boxed up and misplaced. Since we were unable to review the receipts and the log sheets for these purchases, we could not determine if proper procedures were followed in accordance with the purchasing card policies and procedures of the State Auditor's Office and Marshall University.

When a business fails to provide an itemized receipt, as noted in Number (5) above, there is an increased chance of paying for items or services not received. The Business Manager of Residence Services stated that for a period of time pizza establishments were not preparing itemized receipts for purchases. However, according to the Manager, these establishments began itemizing receipts after they were requested to do so.

The Business Manager of Residence Services stated she was unaware why a cardholder split the purchase of lighting supplies totaling \$1,778.58, as described in Number (6) above, into three separate purchasing card transactions made on the same day. Since each individual purchase card transaction did not exceed \$1,000.00, the \$1,000.00 limit set forth in the Purchasing Card Policies and Procedures was circumvented as well as the bid requirements stipulated in Title 128, Series 21, Section 8.10 of the University System of West Virginia.

We recommend Marshall University comply with the West Virginia State Auditor's Office Purchasing Card Policies and Procedures, Title 128, Series 21, Section 8.10 of the University System of West Virginia and with the Marshall University's Purchasing Card Cardholders Manual.

University's Response

The purchasing card program has been a tremendously effective tool for the university and the vendors who accept the cards. The institution does agree with the concerns in the reports and will review all policies and procedures. Cardholders will be continuously reminded

of the purchasing card guidelines requiring itemization of receipts, staying within the limits established, and signing their activity logs.

Maintaining Contract Price Lists

Marshall University purchased items totaling \$131,745.75 from Bell Atlantic Network Integration and Dell Computers, LP without consulting the current contract price lists or confirming if the specified percentage discount per the contract was applied to the purchases. Marshall purchased commodities per an open end contract with Bell Atlantic Network Integration totaling \$107,441.75 during fiscal year 2000. Price lists needed to support the amount paid for items purchased were not maintained by the Marshall University Purchasing Division. Also, Marshall University made two purchases of computers totaling \$24,304.00 per an open end contract with Dell Marketing, LP without determining if the specified discount per the contract was applied to the purchases. Both contracts referred to above were originally entered into by West Virginia University; however, Marshall had the option to use the contracts when these purchases were made.

Page 34 of the Marshall University Purchasing and Materials Management handbook states in part:

“...Requisition based purchases from open-end contracts:

- use current contract and price list
- show page numbers beside description on each commodity line of requisition
- reference contract and date of price list using Line item text button for last commodity line on Banner requisition...”

Change Order #2 of the contract with Bell Atlantic Network Integration states in part:

“...BANI offers the entire list of CISCO products at a price which is represented as a percentage off/of manufacture’s advertised list pricing of the then current price listing.”

	<u>WVU PRICE</u>
All Hardware & Software components:	31% off list
All CISCO Mtc. Offerings (Smartnet)	0% off list
BANI's Central Support (per contract)	9% off list
BANI's Central Support Plus Mtc.	11% off list
TO ADD THE FOLLOWING STATEMENT:	

This contract may be available for use by Higher Education and other State Agencies....”

Schedule A of the contract with Dell Computer, LP states:

“Customer’s current discounts and classifications are set forth below. The discount percentages that apply to a particular level and product classification are subject to change from time to time by Dell without prior notice:

<u>Category</u>	<u>Products</u>	<u>Educational Discount</u>	<u>State and Local Discount</u>
A	PowerEdge Servers: Peripherals: Optiplex Systems and Workstations: Selected Latitude Notebooks: Customer Kits on Dell Stocked Accessories and Options	7.00%	5.00%
L	Selected Application Software: Non- Stocked Peripherals and Accessories	2.50%	0.00%
O	Directline Service; 4-Hr On-Site Critical Care Plus: Business Care Plus On-Site Service (all years)	13.00%	0.00%”

We talked to the Assistant Director of Marshall University’s Purchasing Division about the Higher Education Bell Atlantic Network Integration contract. He stated although Purchasing requests a price list from vendors, Marshall University does not always receive one. Instead, the price list is sent to the State Auditor’s Office. He also explained when an order is placed, Marshall University’s Purchasing Division is sent a copy of the quote while the original quote is sent to the State Auditor’s Office. The State Auditor’s Office then checks the quote against the price lists and either approves the invoice for payment or rejects it.

According to the invoice from Bell Atlantic Network Integration, the purchase price for the order referred to above was taken from the 1999 price book or Addendum D of the contract. When requested, Marshall University was unable to provide us with the 1999 price list or Addendum D. However, subsequently the Director of Purchasing and Materials Management obtained the appropriate pages of the 1999 price book and Addendum D from the State Auditor's Office. The Director then provided a copy of these pages for us. According to our calculations, Marshall received a discount for the purchase of thirty-five percent (35%) which exceeded the discount indicated in the contract by four percent (4%).

We also talked to a Marshall Purchasing employee about the two purchases referred to above made from Dell Computers, LP (Dell). The employee stated that Marshall University has their own web site through Dell that allows the institution to access four pre-approved standard recommended configurations, each with a set price. If a change or an addition is made to any of the standard configurations, a new price is then calculated and displayed on the Web Page. The employee added that it is not possible to determine if the discount or percentage specified in the contract with Dell is being applied to the quoted price. The employee also said that the State Auditor's Office is relied upon to confirm if the discount specified in the Dell contract was applied to the purchase price.

We recommend Marshall University comply with the Marshall University Purchasing and Materials Management handbook and confirm and document that purchase prices conform to the discounts or prices specified in purchasing contracts.

University's Response

Marshall University will increase efforts to better document adherence to purchasing policy. Price lists are always compared, but the documentation of this activity will be reviewed and improved.

Privilege Membership Reports Not Maintained

We noted the ID Office failed to maintain copies of four OPTIM System Privilege Membership reports supporting the amounts invoiced to the Department of Residence Services for meals. These reports covered the following four weekly periods: August 31, 1998 - September 6, 1998, September 7, 1998 - September 14, 1998, August 23, 1999 - August 29, 1999, and January 31, 2000 - February 6, 2000.

As described earlier in this report, OPTIM is the University's system for the recording and accounting of students' privileges, including meal privileges. Privilege Membership reports are run weekly by the Marshall University Campus ID Office and a copy of the report, along with a memorandum summarizing the contents of the report, is forwarded both to Sodexho Marriott and to the Department of Residence Services. Sodexho Marriott uses this information to invoice Residence Services for meal charges.

Since the Office was unable to provide us with these reports, we were unable to determine if the amounts invoiced were correct. The four invoices totaled \$306,155.44.

Chapter 5A, Article 8, Section 9 of the West Virginia Code 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...."

We recommend the agency comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code.

University's Response

These four reports were apparently misplaced due to a new change in personnel. A new manager of the ID Office has been employed and will develop procedures to insure that Privilege Membership Reports will be reviewed and maintained, and attached to all supporting accounting documents.

Late Fees Not Assessed as Required

We noted six instances where a ten dollar late fee was not charged to residents of University Heights for rent that was paid in excess of 15 days past the due date. These payments ranged from two to 56 days after the end of the 15-day grace period and the amount of late fees that should have been assessed totaled \$60.00.

Marshall University Apartment Housing Lease Agreement states in part:

"B. RENT . . . A \$10 LATE FEE WILL BE CHARGED FOR ANY PAYMENT NOT RECEIVED WITHIN FIFTEEN DAYS OF THE DUE DATE. THIS DOES NOT ENTITLE LESSEE TO BE LATE; LESSOR MAY STILL TAKE FURTHER ACTION AS PROSCRIBED BY WEST VIRGINIA STATE LAW."

The Supervisor of Housing Assignments and the Assignment Assistant stated that they were under the impression the Bursar's office was responsible for assessing the late fees when a resident's rent was past due. However, after these employees consulted with the Bursar's Office Supervisor of Accounts, it was discovered that the late fee was not being added to Student accounts. Subsequently, the Assignment Assistant was instructed to place late fees for the previous months late payments when monthly rents are added to student accounts. The Assignment Assistant was unable to tell us when she began assessing the late fees.

Late fees serve as a deterrent to late rent payments by students and also aid in covering any additional costs that may be involved in processing late payments. When late fees are not assessed, the result is a loss of these benefits as well as a loss of additional revenue and interest.

We recommend Marshall University comply with the Marshall University Apartment Housing Lease Agreement and consistently collect late fees for all University Heights rental payments not received within 15 days of the due date.

University's Response

Marshall University agrees with this finding and will implement procedures to properly assess late fees.

Receipt Forms

Marshall University has standard receipt forms that are used at all collection points throughout campus. These receipt forms are neither prenumbered nor do they have a place to record the date payments were received. Since these forms are not prenumbered, the University cannot determine how many receipt forms they should have. In addition the use of prenumbered receipt forms allows the Agency to reconcile amounts received with amounts deposited to ensure that all monies collected are deposited into the proper accounts. Also, since the date payments were received are generally not recorded on the forms, we were unable to determine if deposits were made within 24 hours of receipt.

Chapter 5A, Article 8, Section 9 of the West Virginia Code 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....”

Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, states in part,

“(a) All officials and employees of the state authorized by statute to accept moneys so received for deposit in the state treasury and shall deposit within twenty-four hours with the state board of investments all moneys received or collected by them for or on behalf of the state for any purpose whatsoever....”

The Manager of Student Accounts stated that receipt forms are not prenumbered because numerous forms are located at a variety of places throughout the campus and prenumbered forms would be hard to track. He also added that he did not know why there was no place to record the date payment was received on the form.

We recommend Marshall University comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

University's Response

Marshall University agrees with this finding and will change the form as recommended.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

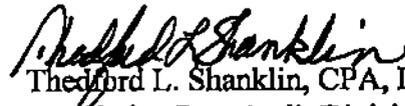
We have audited the statement of cash receipts, disbursements and changes in cash balance of Marshall University's Housing and Dining Fund for the years ending June 30, 2000 and June 30, 1999. The financial statement is the responsibility of the management of Marshall University. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statement was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenses paid from Marshall University's Housing and Dining Fund for the years ended June 30, 2000 and June 30, 1999 on the basis of accounting described in Note A.

Respectively submitted,


Theoford L. Shanklin, CPA, Director
Legislative Post Audit Division

June 7, 2001

Auditors: Michael A. House, CPA, Supervisor
Stanley D. Lynch, CPA, Auditor-in-Charge
Peter J. Maruish, Jr. CPA
Lori A. Fisher
Erin S. Roark

MARSHALL UNIVERSITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2000</u>	<u>1999</u>
<u>Housing & Dining - 4230-640</u>		
Cash Receipts:		
Interest Earnings	\$ 252,622.93	\$ 342,663.86
State Park Sales	480.68	0.00
Other Rental Income	161,968.11	7,940.92
Tuition and Fees	0.00	10,730.24
Room and Board	7,769,693.77	8,600,632.21
Miscellaneous Sales	56,144.48	84,023.17
Other Collections, Fees, Licenses and Income	<u>3,459.69</u>	<u>1,934.35</u>
	8,244,369.66	9,047,924.75
Disbursements:		
Personal Services	1,961,643.07	1,706,360.60
Annual Increment	254.17	30,315.00
Employee Benefits	607,725.35	511,048.94
Current Expenses	4,679,672.84	4,759,653.41
Repairs and Alterations	1,486,766.71	776,277.31
Equipment	804,865.96	864,991.31
Other Extraordinary Disbursements:	<u>5,149.16</u>	<u>771.27</u>
	<u>9,546,077.26</u>	<u>8,649,417.84</u>
Cash Receipts (Under)/Over Disbursements	(1,301,707.60)	398,506.91
Beginning Balance	<u>5,479,633.09</u>	<u>5,081,126.18</u>
Ending Balance	<u>\$4,177,925.49</u>	<u>\$5,479,633.09</u>

See Notes to Financial Statement

MARSHALL UNIVERSITY

HOUSING AND DINING FUND

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policies

Accounting Method: The cash basis of accounting is followed for the Special Revenue Fund. Therefore, revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

Note B - Pension Plan

All eligible employees are members of the West Virginia State Teachers' Retirement System or the Teachers' Insurance Annuity Association. Certain eligible employees belonging to the West Virginia State Teachers' Retirement System may also belong to the Teachers' Insurance Annuity Association.

For the West Virginia State Teachers' Retirement System employees' contributions are 6.0% of their compensation and employees are vested under certain circumstances. The aggregate of the College's contributions shall be the following percentages of the earned compensation of the members fiscal year 1999 - 13.5% and fiscal year 2000 - 15%.

For the Teachers' Insurance Annuity Association, employees' contributions are either 6.0% or 7.5% of their compensation and employees are vested under certain circumstances. Contributions by the University are also either 6.0% or 7.5% of the compensation on which the employee made contributions.

Contributions to the pension and retirement plans were as follows:

	<u>Year Ended June 30</u>	
	<u>2000</u>	<u>1999</u>
Special Revenue	<u>\$150,600.03</u>	<u>\$127,418.33</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Theodford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 16th day of September 2001.



Theodford L. Shanklin, CPA, Director
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to Marshall University; Higher Education Policy Commission; Governor; Attorney General; and, State Auditor.