

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

**WEST VIRGINIA UNIVERSITY
STUDENT UNION ACCOUNT**

**FOR THE PERIOD
JULY 1, 1998 - JUNE 30, 2001**



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA UNIVERSITY
STUDENT UNION ACCOUNT
FOR THE PERIOD
JULY 1, 1998 - JUNE 30, 2001

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Theodore L. Shanklin, CPA, Director
Legislative Post Audit Division
Building 1, Room W-929
1900 Kanawha Blvd., E.



Area Code (304)
Phone: 347-4880
Fax: 347-4889


CHARLESTON, WEST VIRGINIA 25305-0610

To 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 Student Union Account maintained by West Virginia University.

Our examination covers the period July 1, 1998 through June 30, 2001. The results of this examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 2001 and June 30, 2000 are included in this report. The financial statement covering the year ended June 30, 1999 is included in our audit workpapers.

Respectfully submitted,


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

TLS/ela

WEST VIRGINIA UNIVERSITY

STUDENT UNION ACCOUNT

TABLE OF CONTENTS

Exit Conference 1

Introduction 2

Administrative Officers and Staff 5

Summary of Findings, Recommendations and Responses 6

General Remarks 12

Independent Auditors' Opinion 50

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances 51

Notes to Financial Statement 53

Supplemental Information 56

Certificate of Director
Legislative Post Audit Division 64

WEST VIRGINIA UNIVERSITY
STUDENT UNION ACCOUNT
EXIT CONFERENCE

We held an exit conference on September 11, 2002 with the Associate Vice President for Finance and other representatives of West Virginia University and all findings and recommendations were reviewed and discussed. The University's responses are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our findings in the General Remarks section of this report.

WEST VIRGINIA UNIVERSITY

STUDENT UNION ACCOUNT

INTRODUCTION

Established in 1867, West Virginia University (WVU) is the state's major research, doctoral degree-granting, land-grant institution. West Virginia University provides high quality programs of instruction, offering 166 degree programs at the undergraduate, graduate, and first-professional levels, including the State's only law school; fosters basic and applied research and scholarship; and engages in and encourages other creative and artistic work. A wide range of health science programs are taught at WVU's Robert C. Byrd Health Sciences Center through schools of medicine, dentistry, nursing, and pharmacy, including allied health programs and graduate programs in basic health sciences.

West Virginia University combines the breadth of academic opportunities offered by a major research institution with the atmosphere of a small school; the undergraduate student/faculty ratio is 17:1. Enrollment in one of the University's 13 colleges and schools offers students the warmth and friendliness of a small academic community. The University encourages diversity and promotes social justice in all of its activities.

The Downtown Campus is linked to the Evansdale Campus and the Robert C. Byrd Health Sciences Center by the Personal Rapid Transit (PRT) system, which uses automated, electric-powered cars that operate on a concrete and steel guide way and permits quick and easy access to major locations within the University and downtown Morgantown.

The diversity of WVU's student body is apparent in the fall 1999 enrollment of 22,238 students, as all 55 counties of West Virginia, 48 of 50 states, and 96 other countries are

represented. West Virginia University has had 25 Rhodes Scholars, 13 Truman Scholars, 17 Goldwater Scholars, and one British Marshall Scholar.

West Virginia University is one of only 43 public universities that serve their states as research and land-grant institutions. The term "land grant" derives from the Congressional act of 1862 that gave federally-owned land to each state, to be sold for funds to begin colleges offering programs in agriculture and engineering. Since its founding in 1867, WVU has developed into the center of graduate and professional education, research, and extension programs in West Virginia. Coal and energy are a major focus of University research because of WVU's location in the eastern coal fields.

West Virginia University campuses combine traditional and modern architectural styles, and eleven campus buildings are listed on the National Register of Historic Places. Many of these original buildings, including Stalnaker Hall, have been restored and renovated.

Current library holdings include 1.4 million volumes; 2.2 million microforms; 7,453 subscriptions; 20,482 linear feet of archival materials (in excess of 5,000,000 items); 38,670 audiovisuals; and various electronic databases. All libraries are automated with the NOTIS system.

West Virginia University programs and services are accessibly located throughout West Virginia. Regional campuses include West Virginia University at Parkersburg, Potomac State College of West Virginia University, and West Virginia University Institute of Technology. West Virginia University operates the Charleston Division of the Robert C. Byrd Health Sciences Center and the Wheeling Division of the School of Medicine. In addition, there are six extended learning regional centers at Charleston, Clarksburg, WVU-Parkersburg, Potomac State College, Shepherd College, and West Liberty State College.

West Virginia University operates eight experimental farms in Hardy, Jefferson, Monongalia, Monroe, and Preston counties; five experimental forests in Monongalia, Preston, Randolph, and Wetzel counties; a geology camp in Greenbrier County; and the State 4-H Camp and a museum of mid-nineteenth century life at Jackson's Mill.

The Department of Intercollegiate Athletics sponsors 21 Intercollegiate sports: baseball; men's and women's basketball; men's and women's cross country; football; women's gymnastics; men's and women's indoor track; men's and women's outdoor track; rifle (coed); women's rowing; men's and women's soccer; men's and women's swimming; men's and women's tennis; women's volleyball; and wrestling.

On July 17, 2001, WVU opened the Student Recreation Center on the Evansdale Campus to both students and faculty/staff. This \$34 million, 177,000 square foot facility offers various equipment and programs for the utilization of students. These include 17,000 square feet of weight and fitness equipment and a variety of fitness and wellness programs. A 50-foot climbing wall; a leisure pool; fitness pool; whirlpool; outdoor recreation programs; basketball, volleyball, badminton, racquetball and squash courts; an elevated jogging track; intramural/club sports; and more are available for students.

WEST VIRGINIA UNIVERSITY
STUDENT UNION ACCOUNT
ADMINISTRATIVE OFFICERS AND STAFF
AS OF JUNE 30, 2001

Dr. David C. Hardesty, Jr. President

Dr. Scott C. Kelley Vice President for Administration and
Finance and Human Resources

Kenneth D. Gray, J.D. Vice President for Student Affairs

Amir Mohammadi Associate Vice President for Student Affairs
Administration, Finance and Technology

Janice Hriblan Assistant to the Associate Vice President for
Student Affairs Administration, Finance
and Technology

Colleen Forst Coordinator, Student Affairs Business
Office (SABO)

Michael Ellington Director of Mountainlair Operations

Jeffrey DeMoss Director of Dining Services

William R. Quigley, CPA Director of Internal Audit Office

WEST VIRGINIA UNIVERSITY

STUDENT UNION ACCOUNT

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, West Virginia University (WVU) did not have an effective system of internal controls in place over the Student Union Account to ensure compliance with 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.

Auditors' Recommendation

We recommend WVU comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended and establish a system of internal controls to address the above matters.

University's Response

The University believes that it has an established effective system of internal control in the form of policies and procedures set up to ensure the University operates in compliance with the laws, rules and regulations that govern the institution, including State laws. (See pages 14 - 17)

Construction Contract Administration

2. We reviewed the change orders for both the Architectural and Construction Management contracts for construction of the Evansdale Campus Student Recreation Center and found six change orders with costs totaling \$35,349.99 which we believe should not have required increases in the contract price based on the terms of the contracts.

Auditors' Recommendation

We recommend WVU enforce all applicable provisions of the Construction Manager and Architectural contracts related to the \$35,349.99 contained in these Change Orders before it finalizes the amounts that are currently being calculated/negotiated as due the respective parties.

University's Response

The University will investigate the Change Orders noted by the Legislative Auditors and, if necessary, take the appropriate action to resolve them. (See pages 17 - 23)

**Overhead Assessment and Expenditures
from Student Union Account**

3. WVU is assessing the Student Union Account a six percent Service Charge Assessment on all "modified total expenditures" to assist with the general and administrative expenses of the University, as well as, partially funding the general and administrative operating expenses of the Student Affairs Business Office (SABO) with Student Union revenues. However, we could not determine whether the six percent charge and the amount assessed to fund the operations of SABO fairly represent the services provided the Student Union Account.

Auditors' Recommendation

We recommend WVU comply with Chapter 18B, Article 10, Section 10 of the West Virginia Code by periodically reviewing the Overhead Assessment Fee rate.

University's Response

The University will review the methodology used to establish the service charge rate on a periodic basis to ensure the rate is reflective of current cost. (See pages 24-29)

Movie Ticket Sales

4. During fiscal year 2001, WVU paid Cinema Consultants and Services International, Inc. \$121,063.26 to renovate the Gluck Theater located in the Mountainlair Student Union Building. Agency records indicated the University collected \$52,094.12 in movie ticket sales from movies shown at the Gluck Theater during fiscal years 2000, 2001 and 2002. These monies were deposited into the Student Activities Account rather than in the Student Union Account.

Auditors' Recommendation

We recommend WVU comply with Chapter 18B, Article 10, Section 10 and 12 of the West Virginia Code.

University's Response

The University will supplement the current practice with the appropriate policy and delegation documentation from the Board of Governors and President. (See pages 29 - 31)

Merchandise for Resale

5. During our review of merchandise for resale transactions, we noted 22 transactions totaling \$11,305.96 charged to State purchasing cards which were not supported by any documentation.

Auditors' Recommendation

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended.

University's Response

The University will review record retention practices across campus and make modifications where necessary. (See pages 31 and 32)

Catastrophic Leave

6. There were two employees who were overpaid a cumulative total of \$5,400.33 while on catastrophic leave status.

Auditors' Recommendation

We recommend WVU comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended. In addition, we recommend WVU comply with their own policies related to the accrual and usage of sick and annual leave.

University's Response

The University will review its Catastrophic Leave Policy and clarify it to accurately describe current practice. (See pages 32 and 33)

Retirements and Resignations

7. During our audit of personal services transactions, we noted three employees were overpaid a total of \$1,652.16 for their termination pay.

Auditors' Recommendation

We recommend WVU comply with Chapter 12, Article 3, Section 13, as amended; Chapter 5, Article 5, Section 1, as amended; and Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended. In addition, we recommend WVU comply with Higher Education Policy Bulletin 62. Lastly, we recommend WVU seek reimbursement for the amounts overpaid to these former employees using the remedies available in Chapter 14, Article 1, Section 18a of the West Virginia Code, if needed.

University's Response

The University either is in compliance with or will comply with the various auditors' recommendations. (See pages 34 - 38)

Equipment Inventory

8. We noted that five equipment items totaling \$12,775.00 on the inventory listing could not be traced to the physical location. We also noted some items did not have inventory tags attached.

Auditors' Recommendation

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and Section 13.2 of Higher Education Policy Commission, Policy Bulletin Number 21. We also recommend WVU follow the guidelines for defining purchase types established in the State of West Virginia Expenditure Schedule instructions, as amended.

University's Response

The University makes every effort to be in compliance with the laws, rules and regulations which govern equipment inventory. (See pages 38 - 42)

Purchasing Card Transactions

9. During our review of purchasing card transactions, we noted three purchasing card transactions totaling \$2,500.00 were not supported by the appropriate documentation; two instances where WVU made two purchasing card purchases totaling \$1,125.00 for conference fees; and, one instance of an equipment purchase totaling \$998.85 erroneously charged to a Current Expense object code.

Auditors' Recommendation

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. We also recommend WVU comply with the State Auditor's Purchasing Card Policies and Procedures, as amended. Lastly, we recommend WVU follow the guidelines for defining purchase types established in the State of West Virginia Expenditure Schedule instructions, as amended.

University's Response

The University believes it is in compliance with the various laws, rules and regulations governing purchasing card transactions. However, the University will review record retention practices across campus and make modifications where necessary. (See pages 42 - 45)

Payroll Transactions

10. There were instances where WVU did not properly compensate three employees paid from the Student Union Account. These employees were under compensated by a net amount of \$441.91.

Auditors' Recommendation

We recommend WVU comply with the Fair Labor Standards Act of 1938, as amended; WVU-HR-31 Overtime Policy; Chapter 5A, Article 8 Section 9(b) of the West Virginia Code, as amended; and the Attorney General's Opinion Number 3 dated August 17, 1988.

University's Response

The University makes every effort to be in compliance with the various laws, rules and regulations governing employee pay. (See pages 45 - 49)

WEST VIRGINIA UNIVERSITY
STUDENT UNION ACCOUNT
GENERAL REMARKS

INTRODUCTION

We have completed a post audit of West Virginia University's Student Union Account. The audit covered the period July 1, 1998 through June 30, 2001.

SPECIAL REVENUE ACCOUNTS

During the audit period, WVU maintained various special revenue accounts to contain the proceeds received and pay expenses related to the operation of the University's student union facilities as required by law. Monies collected were deposited with the State Treasurer in the following special revenue accounts:

<u>Number</u>	<u>Description</u>
4149	Student Union Account Student union fees, rentals, sales and interest for operation and maintenance of student union.
4163	Building Renewal and Capital Equipment Acquisition Account Receipt of bond proceeds for building renewal and equipment acquisition.

LOCAL ACCOUNTS

In order to have cash available for specific local operations, local bank accounts are used for managing funds required on a day-to-day basis. These local accounts are described as follows:

Mountaineer Tavern Advance Account

Depository for advances to purchase beer for the Side Pocket Pub maintained in the Mountainlair Student Union on the Downtown Campus. Advance is requisitioned quarterly through the State and deposited to this account. At the end of each quarter the advance is settled with the State Auditor's Office.

West Virginia University Towers Eagle's Nest Tavern Advance Account

This account was an advance depository account used for the purchase of beer for conferences held at the Towers Residential Complex on the Evansdale Campus; account was usually opened in mid-April of each year and closed at the end of August. The account was zeroed out during July 1998 and remained inactive for the duration of the audit period. During July 2002, WVU filed an official request with the Treasurer's Office seeking approval to close this account.

BOND ACCOUNTS

During the audit period, there were certain bond accounts maintained with Bank One (Trustee) as required by the bond trust indenture of the State of West Virginia, University of West Virginia Board of Trustees - Student Union Refunding Revenue Bonds (West Virginia University Project) 1997 Series A and the Student Union Revenue Bonds (West Virginia University Project) 1997 Series B. Monies were transferred by WVU/Trustee to and received from WVU/Trustee with the following accounts maintained by the Trustee.

Series A Bond Account

Under this bond issuance, a separate account was established with the Trustee for the Series A bond issuance where debt service payments are received from WVU when due for the payment of principal and/or interest to the bondholders.

Series B Bond Account

Under this bond issuance, a separate account was established with the Trustee for the Series B bond issuance where debt service payments are received from WVU when due for the payment of principal and/or interest to the bondholders.

Series A and B Construction Account

Under this bond issuance, a separate account was established with the Trustee for the purpose of applying payment of the costs associated with the Construction of the Student Recreation Center on the Evansdale Campus.

COMPLIANCE MATTERS

Chapter 18B of the West Virginia Code generally governs West Virginia University (WVU). We tested applicable sections of the above plus other applicable chapters, articles, and sections of the West Virginia Code as they pertain to financial matters. Our findings are discussed below.

Lack of Effective System of Internal Controls

During the course of our audit, it became apparent to us, based on the observed noncompliance with the West Virginia Code, West Virginia University did not have an effective system of internal controls in place to ensure compliance with applicable State laws. Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

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

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 West Virginia University's Student Union Account, we found the following noncompliance with State laws or other rules and regulations: (1) During fiscal year 1998, WVU contracted with Moody/Nolan Ltd., Inc., (Moody/Nolan, or the Architect) to provide professional design and construction administration services for the construction of a new Student Recreation Center on the Evansdale Campus. Also during fiscal year 1998, WVU contracted with Sverdrup Facilities, Inc., (Sverdrup, or the Construction Manager) to provide construction management services for the project. Sverdrup's construction management duties were to provide consulting services during the design phase of the project and to hire subcontractors for all principal portions of work as well as administering the project in the construction phase of the project. The construction of the Student Recreation Center was substantially completed and officially opened to both students and WVU's faculty/staff on July 17, 2001. We reviewed the change orders for both the Architectural and Construction Management contracts and found six change orders with costs totaling \$35,349.99, which we believe should not have required increases in the contract price based on the terms of the contracts. (2) West Virginia University is assessing the Student Union Account a six percent Service Charge Assessment on all "modified total expenditures" to assist with the general and administrative operating expenses of the University as well as partially funding the general and administrative operating expenses of the Student Affairs Business Office (SABO) with Student Union Account revenues. (3) During fiscal year 2001, WVU paid Cinema Consultants and Services International, Inc. \$121,063.26 to renovate the Gluck Theater located in the Mountainlair

Student Union Building. Agency records indicated the University collected \$52,094.12 in movie ticket sales from movies shown at the Gluck Theater during fiscal years 2000, 2001 and 2002. These monies were deposited into the Student Activities Account rather than in the Student Union Account. (4) During our review of merchandise for resale transactions, we noted 22 transactions totaling \$11,305.96 charged to State purchasing cards which were not supported by any documentation. (5) There were two employees that were overpaid a cumulative total of \$5,400.33 while on catastrophic leave status. (6) During our audit of personal services transactions, we noted three employees were overpaid a total of \$1,652.16 for their termination pay. (7) We noted that five equipment items totaling \$12,775.00 on the inventory listing could not be traced to the physical location. We also noted some items which were located did not have inventory tags attached. (8) During our review of purchasing card transactions, we noted three purchasing card transactions totaling \$2,500.00 were not supported by the appropriate documentation; two instances where WVU made two purchasing card purchases totaling \$1,125.00 for conference fees; and, one instance of an equipment purchase totaling \$998.85 erroneously charged to a Current Expense object code. (9) There were instances where WVU did not properly compensate three employees paid from the Student Union Account. These employees were under compensated by a net amount of \$441.91.

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and establish a system of internal controls to address the above matters.

University's Response

In accordance with Chapter 5A, Article 8, Section 9 of the West Virginia State Code, WVU has established and maintains an effective system of internal controls. Its internal control environment encompasses policies and procedures established to ensure that the

University operates in compliance with the laws, rules and regulations that govern the institution. Implementation of internal controls is accomplished by an automated system of checks and balances, electronic exception reporting to identify potential issues and follow-up of those items, a dedicated Internal Audit department staffed by 5 full-time professional auditors, and an Audit Committee of the WVU Board of Governors. WVU's internal control environment is constantly evaluated and modified to address evolving issues and new requirements.

The effectiveness of the University's system is demonstrated by its performance in the many audit reviews undertaken, including financial statement and bond statement audits conducted by Deloitte and Touche, internal audits, and reviews conducted by state government such as the State Auditor's Office audits of WVU's payment processes and procurement card program. In each of these audits, no material weaknesses have been found in the University's system of internal control.

Construction Contract Administration

During fiscal year 1998, WVU contracted with Moody/Nolan Ltd., Inc., (Moody/Nolan, or the Architect) to provide professional design and construction administration services for the construction of a new Student Recreation Center on the Evansdale Campus. Also during fiscal year 1998, WVU contracted with Sverdrup Facilities, Inc., (Sverdrup, or the Construction Manager) to provide construction management services for the project. Sverdrup's construction management duties were to provide consulting services during the design phase of the project and to hire subcontractors for all principal portions of work, as well as, administering the project in the construction phase of the project. The construction of the Student Recreation Center was substantially completed and officially opened to both students and WVU's faculty/staff on July

17, 2001. We reviewed the change orders for both the Architectural and Construction Management contracts and found six change orders with costs totaling \$35,349.99, which we believe should not have required increases in the contract price based on the terms of the contracts. A summary of these change orders is detailed as follows:

Sverdrup Facilities, Inc. - Construction Manager Contract			
<u>Change Order (CO)/Item #</u>	<u>Effective Date</u>	<u>Questioned Cost</u>	<u>Description</u>
CO#4, Item #11	10/10/2000	\$ 1,251.42	For the addition of 20' by 8' double gate at southwest corner of site. It was requested that the general work subcontractor install one 20' x 8' double drive gate at the southwest corner of the site off of the existing creative arts center parking lot. This was necessary to maintain site security while providing access to this area of the site for current work and later on for parking.
CO#4, Item #13	10/10/2000	1,669.97	Footer for north exit door - No. C43. The footer above the door location was poured in accordance with structural drawing S111. That drawing showed the footer located between x8 and x9.3. That location is incorrect as it does not agree with the architectural drawing A111, which shows it between x7.5 and x8. This is the correct location and that was confirmed by Moody/Nolan. Therefore, the general work subcontractor has submitted a proposal to pour the footer at the correct location.
CO#7, Item #21	12/04/2001	13,447.23	For relocating four inch roof drains at outdoor pursuits. Per RFI 606a response, since a 6" storm sewer that extends 5' outside the building was not connected to any site storm line, the contractor rerouted the (4) roof drains at the outdoor pursuits into CI #13. The contractor also rerouted roof drains at west entry to riser in plumbing chase at yb/x8.

Sverdrup Facilities, Inc. - Construction Manager Contract			
Change Order (CO)/Item #	Effective Date	Questioned Cost	Description
CO#6, Item #10	06/06/2001	5,345.45	Install water and sanitary piping – Room 104. The mechanical engineer issued RFI 430 response to the mechanical contractor to add water feeds to bathrooms 104j, 104k, and room 104g sinks. Also, from Room 104 hot & cold feed run water feed overhead to supply lounge room 104g sink with hot and cold water.
CO#6, Item #11	06/06/2001	<u>5,635.92</u>	The mechanical engineer issued a change order request to add shut off valves to CRU-1 and CRU-2. As a result Tomko and Sons Mechanical Contractor made a cost proposal for this work and it has been reviewed, revised and recommended for acceptance by the architect.
Total		<u>\$27,349.99</u>	

Moody/Nolan Ltd., Inc. - Architectural Contract			
Change Order (CO)/Item #	Effective Date	Questioned Costs	Description
** CO#4, Item #1	10/18/1999	<u>\$8,000.00</u>	Provide construction site CADD station per the attached August 5, 1999 proposal. Includes workstation, software, and installation.
Total		<u>\$8,000.00</u>	
** The change order was for an increase of \$6,100.00 but should have been a decrease of \$1,900.00.			

In regard to CO #4, Item #11 of the Construction Management Contract, the General Conditions of the Contract for Construction (AIA Document A201), Article 10 - Protection of Persons and Property, Section 10.2 - Safety of Persons and Property, states in part:

“The Contractor shall take reasonable precautions for safety of, and shall provide reasonable protection to prevent damage, injury or loss to . . . the Work and materials and equipment to be incorporated therein, whether in storage on or off the site, under care, custody or control of the Contractor or the Contractor's Subcontractors or Sub-subcontractors . . .”

A Senior Construction Project Manager with WVU's Physical Plant Department told us that during the construction phase of the project, a dispute arose between the Union Employees and Non-Union employees and it was found necessary to add the gate for security reasons related to the dispute.

Concerning CO #4, Item #13 and CO #7, Item #21 of the Construction Management Contract, the architectural contract with Moody/Nolan Ltd., Inc. (AIA Document B141) Article 10 - Payments to the Architect, Section 10.5.1, states:

“No deductions shall be made from the Architect's compensation on account of penalty, liquidated damages or other sums withheld from payments to contractors, or on account of the cost of changes in the Work other than those for which the Architect has been found to be liable.”

The same Senior Construction Project Manager told us that these change orders were the result of conflicts/mistakes in the architectural drawings prepared by Moody/Nolan Ltd., Inc. However, he explained that mistakes and conflicts are almost inevitable in the architectural drawings in a project of this size, but West Virginia, unlike other States, has not established a tolerable percentage of mistakes allowable in the architectural documents that result in change orders and increased costs to the project. Consequently, WVU did not hold the architect responsible for the additional costs of work for these change orders.

Regarding CO #6, Item #10 and CO #6, Item #11, of the Construction Management Contract, Section 15010, Plumbing General Provisions, of the Project Manual, Part 1.9 - Scope of Work, states in part:

“. . . The work to be performed under these specifications shall include providing all labor, materials and equipment necessary to furnish and install, complete, properly and fully, all Plumbing Work as shown on drawings, herein specified and/or necessary thereto, whether or not specified herein in detail, and/or reasonably implied, and leaving the same in satisfactory operating condition. It is the intent of these specifications that a complete and operating system shall be installed and this Contractor shall carefully examine the site plans, and specifications, and shall include all items necessary to accomplish this purpose. . . .”

Section 15010, Plumbing General Provisions, of the Project Manual, Part 1.15 - Intent of Drawings and Specifications, states:

“A. The implied and stated intent of the drawings and specifications is to establish minimum acceptable quality standards for material, equipment and workmanship, and to provide operable plumbing systems complete in every respect. B. Any apparatus, appliance, material or work not shown as standard industry practice on drawings, but mentioned in the specifications, or vice versa, shall be provided by the Plumbing Contractor without additional expense to the Owner. C. The drawings are diagrammatic, intending to show general arrangement and location of system components, and are not intended to be rigid in detail. D. Due to the small scale of the drawings, all required offsets and fittings may not be shown but shall be provided at no change in Contract price. E. As many of the small lines required for the complete installation are shown on the drawings as is practicable, but some may have been omitted. The contractor shall do all such piping that may be required or directed to effect proper connections to all apparatus, equipment, and fixtures in accordance with the manufacturer's detailed drawings and instructions.”

Section 15410 - Plumbing Piping, of the Project Manual, Part 3.7B, states in part:

“Shutoff Valves: Install shutoff valves on inlet to each plumbing equipment item, on supply to each plumbing fixture not having stops on supplies, and elsewhere as indicated. . . .”

An employee of Baker and Associates, which provides consulting services to WVU on various construction projects, told us the bathroom (Room 104) was clearly reflected on the architectural drawings but the drawings did not show the water feeds and other plumbing tying into the plumbing system in the floor above or elsewhere in the building. He also stated the plumbing contractor may have planned to feed the bathroom from one area but was later required to feed it from another area or the contractor may not have caught the omission when making his bid. In regard to the addition of shutoff valves to the two pieces of equipment, this employee stated the valves may not have been reflected on the drawings or maybe valves were shown everywhere else in the building except on these pieces of equipment and the plumbing contractor assumed the valves were intentionally left off of the drawings and, consequently, the contractor would not have included the cost of these items in his base bid.

Finally, concerning the \$8,000.00 questioned costs in the Architectural Contract CO #4, Item #1, Moody/Nolan proposed reimbursable expenses of \$120,000.00, which were accepted and included in the original contract maximum and detailed in its proposal to include the following items:

“As defined by the contract forms and supplementary conditions, we suggest the following not to exceed (without authorization) allowances for reimbursable be established . . . CADD station on-site for CA, inc. software \$8,000 . . .”

A letter of August 5, 1999, supporting the CO #4, Item #1 of the Architectural Contract, for the addition of a CADD Workstation states in part:

“Per our previous conversations we are pleased to present the following proposal to provide a Construction Site CADD station similar to that proposed as an option in our original Fee submission.

. . . Our original 1997 proposal suggested a cost of \$8,000. Due to continual decrease in technology costs, we can now offer a much improved workstation, software and installation for a fixed fee of \$6,100 . . .”

A Contract Specialist with WVU’s Procurement Services stated the contract was mistakenly increased by \$6,100.00 and should have been decreased by \$1,900.00 and he was not aware of this mistake.

Under the terms of the original agreements with the Architect and Construction Manager, we believe the earlier mentioned costs totaling \$35,349.99 should have been assumed by the Architect, Construction Manager, or the Subcontractors working on the project. We believe WVU officials should review these specific change orders once again and make a determination as to whether the scope of work required in the original contract specifications would have encompassed the work included in the change orders.

We recommend WVU enforce all applicable provisions of the Construction Manager and Architectural contracts related to the \$35,349.99 contained in these Change Orders before it finalizes the amounts that are currently being calculated/negotiated as due the respective parties.

University’s Response

The University makes every effort to enforce all applicable provisions of the Construction Manager and Architectural contracts. During the fall of 2001, Rich Townsend & Associates, a construction auditing firm from Dallas, conducted a limited scope audit to verify the appropriateness of the Construction Manager’s (CM’s) billings for the WVU Student Recreation Center. WVU Internal Audit assisted with this review, and a report was issued in June of 2002. Townsend’s report did not include the Legislative Auditors findings cited in this report. However, the University will investigate the Change Orders noted by the Legislative Auditors and, if necessary, take the appropriate action to resolve them.

**Overhead Assessment and Expenditures
from Student Union Account**

West Virginia University is assessing the Student Union Account a six percent Service Charge Assessment on all “modified total expenditures.” As defined by WVU, “modified total expenditures” means:

“ . . . gross expenditure less mandatory and non-mandatory transfers, contra accounts, service charge assessments, repairs and alterations, equipment, and debt and interest payment. . . .”

These service charge funds are established as a sub-account within the Student Union Account and are used to pay general and administrative expenses of the University directly from the Student Union Account rather than by transferring the dedicated funds to other University accounts. All University auxiliaries and service centers are assessed a “Service Charge Assessment” (“Overhead Assessment”) amounting to six percent of “modified total expenditures” to cover general and administrative expenses. During our review of expenditure transactions, we noted five disbursements totaling \$131,210.25 from the “Service Charge Assessment” sub-account of the Student Union account as shown below:

<u>Disbursements from the “Service Charge Assessment” Sub-Account of the Student Union Account - Account 4149</u>				
<u>WVFIMS Document ID/Transaction Description</u>	<u>Vendor Name</u>	<u>Object Code</u>	<u>Transaction Date</u>	<u>Amount</u>
E339435	I	054	10/18/99	\$ 39,766.42
Transfer “Service Charge Assessment” of the Mountainlair Dining Services’ operations for the 1 st quarter of the 2000 fiscal year to the Special Services Account - Account 4159 to be used for general operating expenses of the University.				
E354540	I	025	04/05/2000	33,272.83
Transfer “Service Charge Assessment” of the Mountainlair Dining Services’ operations for the 2 nd quarter of the 2000 fiscal year to the Student Housing Account - Account 4148 to be used for general operating expenses of the University.				

<u>Disbursements from the "Service Charge Assessment" Sub-Account of the Student Union Account - Account 4149</u>				
<u>WVFIMS Document ID/Transaction Description</u>	<u>Vendor Name</u>	<u>Object Code</u>	<u>Transaction Date</u>	<u>Amount</u>
I4035777	Liberty Corp	078	11/16/99	17,733.00
To purchase volleyball court flooring due to unexpected closing of coliseum for asbestos level testing.				
I4128571	Univ of Charleston	031	01/27/2000	25,438.00
Provide direct financial support for the West Virginia Clearinghouse for Workforce Education, an activity of the Alliance for Ventures in Education.				
I770847993	Main Street Morgantown Inc	031	05/21/2001	<u>15,000.00</u>
Membership dues for the Main Street Morgantown, Inc. (Chamber of Commerce).				
Total				<u>\$131,210.25</u>

Also, we noted that WVU has established a second sub-account in the Student Union Account to fund the general and administrative operating expenses of the Student Affairs Business Office (SABO). West Virginia University fully phased in SABO during the 2000 fiscal year to reduce the operating costs of the general and administrative services that it currently provides to 14 auxiliaries and service centers within Student Affairs, including those funded from the Student Union Account. Prior to SABO's formation, each auxiliary and service center had its own general and administrative staff that was funded directly from applicable special revenue accounts.

The Assistant to the Associate Vice President for Student Affairs told us that instead of funding SABO's operating costs based on the actual level of service provided to each auxiliary and service center, SABO and the respective auxiliary and service center heads will estimate the net revenues that each auxiliary and service center expect to generate during the fiscal year and that can be committed to cover SABO's general and administrative operating costs. Once the commitment

levels are approved by department heads, WVU uses the designated monies to pay any SABO operating expense incurred irrespective of the special revenue account actually receiving the benefit of the disbursement. During our review of expenditure transactions, we identified eight such transactions paid from the Student Union Account totaling \$133,153.00 reflected below:

Schedule of General & Administrative Operating Expense Disbursements from the Student Union Account - 4149 for the Student Affairs Business Office				
WVFIMS Document ID/ Transaction Description	Vendor Name	Object Code	Transaction Date	Amount
E371732	I	025	08/10/2000	\$ 41,990.00
Transfer to Special Services Account - Account 4159 to fund the SABO's 2000 fiscal year general expenses of the Mountaineer Card auxiliary office.				
E371732	I	025	08/10/2000	36,971.00
Transfer to Student Housing Account - Account 4148 to fund the Student Affairs Business Operations' portion of the Student Systems Development Banner Program Support.				
E409122	I	051	06/12/2001	26,865.00
Transfer to Special Services Account - Account 4159 to fund the Associate Vice President for Student Affairs portion of the Mountaineer Card auxiliary office.				
I770840127	Champion Industries Inc	078	03/28/2001	4,761.00
To purchase office furniture for the Student Affairs Business Office.				
I770838899	Champion Industries Inc	079	02/14/2001	2,865.00
To purchase office furniture for the Student Affairs Business Office.				
I7780837573	Champion Industries Inc	079	01/18/2001	3,514.00
To purchase office furniture for the Student Affairs Business Office.				
I7780838708	Champion Industries Inc	079	02/8/2001	9,825.00
To purchase office furniture for the Student Affairs Business Office.				
I770833684	Workzone	040	12/18/2000	<u>6,362.00</u>
To purchase office furniture for the Student Affairs Business Office.				
Total				<u>\$133,153.00</u>

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

“Whenever the term "student union building" is used in this section, the same shall mean a student union building or a combination student union building and dining hall building; and wherever the term "building fund" is used in this section the same shall mean the respective special student union building funds created as provided in section one of this article for each state educational institution which has imposed student union fees pursuant to section one of this article, to be expended by the appropriate governing board for the benefit of the state institutions of higher education under its jurisdiction.

Each governing board may make expenditures from such building funds at the various state institutions of higher education under its jurisdiction to finance in whole or in part together with any federal, state or other grants or contributions, any one or more of the following purposes:

(5) The payment of the cost of operation and maintenance of such student union buildings, subject however to any covenants or agreements made with the holders of revenue bonds heretofore and hereafter issued pursuant to this section or pursuant to section one of this article. . . .”

Regarding the six percent “Service Charge Assessment,” the Director of Research and Tax Accounting told us that no single account has sufficient funds to pay the general and administrative expenses of the University which would normally be charged to appropriations made to WVU from the State General Revenue Fund; therefore, the University assesses all revenue-producing auxiliaries and service centers a six percent Service Charge Assessment on all “modified total expenditures” in order to cover these expenses. These funds are set aside in a sub-account set up on the books of WVU in the Student Union Account special revenue account and, subsequently, invoices are paid directly from these funds by the Business Operations section of the Finance Division of WVU. The Assistant to the Associate Vice President for Student Affairs stated that SABO and service and auxiliary heads are aware of the Service Charge assessment; however, they

are not involved in the process of reviewing and approving the payment of the invoices which are charged against the assessment.

Concerning the disbursements from the Student Union Account for general and administrative operating expenses of SABO, the Assistant to the Associate Vice President for Student Affairs told us that it would not be cost effective to track or “job-cost” every operation of SABO in order to match the actual services provided to the specific special revenue account beneficiaries. West Virginia University officials were unable to provide us with any cost/benefit analysis performed by the University to show the amount set aside to fund the operations of SABO from the Student Union Account was a logical and reasonable amount under the circumstances.

Using Student Union Account revenues to fund operating costs of the University and other auxiliary and service centers (such as SABO) has the potential of creating insufficient monies being available to fund the operations of the student union facilities and/or meet the debt service requirements on any outstanding Student Union bond issuances.

We recommend WVU comply with Chapter 18B, Article 10, Section 10 of the West Virginia Code by periodically reviewing the Overhead Assessment Fee rate.

University's Response

The University is in compliance with Chapter 18B, Article 10, Section 10 of the West Virginia Code. All fees collected are used first to pay the operating and maintenance costs of the student union and/or meet the debt service requirements on any outstanding student union bond issuances.

The Student Union does not have a separate business office. This activity is consolidated with other business offices across Student Affairs to form the Student Affairs Business Office (SABO). Through this consolidation, savings were realized and budgets were

adjusted accordingly. Therefore, the SABO expenditures for the Student Union account represent the cost of the business office function of the Student Union. The allocated cost of providing the service results in a savings compared to the cost of operating an independent business office.

The service charge is the “indirect” operating cost of the Student Union. Per the National Association of College and University’s guidebook entitled College and University Business Administration, “Most institutions charge administrative overhead or levy a charge for centrally provided services in such areas as purchasing, payroll, law enforcement, legal aid, accounting services, and many others.a commonly accepted rate of charge that the institution may require is in the range of 11 percent of the expenditures of the auxiliary service...”

The University will review the methodology used to establish the service charge rate on a periodic basis to ensure that the rate is reflective of current cost.

Movie Ticket Sales

During fiscal year 2001, WVU paid Cinema Consultants and Services International, Inc. \$121,063.26 to renovate the Gluck Theater located in the Mountainlair Student Union Building. Specifically, this vendor installed audio/video and film handling devices, sound system and acoustic wall treatments. The renovation costs were paid with monies from the Student Union Account.

Upon reviewing the University’s records, we noted the University collected \$52,094.12 in movie ticket sales from movies shown at the Gluck Theater during fiscal years 2000, 2001 and 2002. However, these monies were deposited in the Student Activities Account rather than in the Student Union Account. The screening of movies at the Gluck Theater is supervised by the Student Affairs Arts and Entertainment Department and is considered to be a student activity by WVU.

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

“ . . .Any revenues or income derived from the operation of such student union buildings may, in the discretion of the governing board, be used to pay the cost of the operation and maintenance of such student union buildings, or for the debt service on any bonds issued pursuant to this section or pursuant to any other law. . . .”

In addition, Chapter 18B, Article 10, Section 12 of the West Virginia Code states:

“The president or other administrative head of any state institution of higher education may authorize the collection of fees from students for the support of extracurricular activities of the students, and after authorizing the collection of such fees, the president or other administrative head shall file with the state auditor and state budget director a certified detailed statement of the fees authorized to be collected and the purpose for which they are to be spent.”

By not depositing these revenues to the appropriate account, WVU may not have sufficient monies available to fund the operations of its student union facilities and/or meet the debt service requirements on any outstanding student union bond issuances. We believe the income derived from the screening of movies at the Gluck Theater should be deposited in the Student Union Account since the Gluck Theater is actually a part of the Mountainlair Student Union Building. In order for the University to deposit this income in the Student Activities Account rather than the Student Union Account, WVU would need both the approval of the governing board and the President of West Virginia University in accordance with the aforementioned Code sections. However, WVU officials were unable to provide us with any documentation to support the necessary authorizations as required by State law.

We recommend WVU comply with Chapter 18B, Article 10, Sections 10 and 12 of the West Virginia Code.

University's Response

The University is in compliance with Chapter 18B, Article 10, Sections 10 and 12 of the West Virginia Code. The University will supplement the current practice with the appropriate policy and delegation documentation from the Board of Governors and President.

Merchandise for Resale

During our review of merchandise for resale transactions, we noted 22 transactions totaling \$11,305.96 charged to State purchasing cards which were not supported by any documentation. For these transactions, University personnel could not locate cardholder account statements, credit card purchase forms (agency form for internal use), and itemized vendor invoices/valid credit card receipts. These purchasing card purchases related to food purchases for the various food service operations operated by WVU at its student union facilities.

We believe this lack of documentation would be in noncompliance with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, which 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. . . .”

The effect of not maintaining adequate documentation means the University can not properly support purchases of merchandise for resale. According to the Coordinator for the Student Affairs Business Office (SABO), the supporting documentation for these transactions was sent to storage and subsequently misplaced.

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended.

University's Response

The University's practice is to comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended. The University will review record retention practices across campus and make modifications where necessary. Student Affairs Business Operations (SABO) was the first Expert Business Office at West Virginia University to be audited by the State Auditor's Office. This audit was focused on SABO's management of the State's procurement card. The State Auditor's Office concluded that SABO's procurement card purchases were in compliance with policy and procedures. With this confidence, the transaction dollar limit for specific procurement cards within Student Affairs was increased to \$5,000.

Catastrophic Leave

We noted two employees who were overpaid a cumulative total of \$5,400.33 while on catastrophic leave status. These overpayments are detailed in the following schedule:

<u>Employee</u>	<u>Duration of Medical Leave</u>	<u>Amount Overpaid</u>
1	March 2000 to May 2000	\$1,088.35
2	July 2000 to April 2001	<u>4,311.98</u>
	Total	<u>\$5,400.33</u>

The overpayments were due to the employee improperly accruing sick and annual leave as well as being paid for holidays while on catastrophic (donated) leave status.

We believe these overpayments are in noncompliance with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, which states:

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

We also believe the University is not in compliance with their own policies regarding the accrual of sick and annual leave. Sick Leave Policy WVU-HR-46 states in part,

“Employees must be in an active payroll status and work the majority of the month in order to accrue sick leave. . . .”

In addition, Annual Leave Policy WVU-HR-2 states in part,

“Employees must be in an active payroll status and work the majority of the month in order to accrue annual leave. . . .”

By not complying with the aforementioned criteria, the University may be allowing employees to receive more compensation than they are entitled to receive. According to a Human Resources Medical Management Representative for WVU, the overpayments to these employees were due to the University allowing these employees to accrue sick, annual, and holiday time while each employee was on donated time. This employee further stated that this procedure has been in place since the start of the catastrophic leave plan and the reason these employees received the leave was because each employee was on an active payroll status while being paid for the donated time.

We recommend WVU comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended. In addition, we recommend WVU comply with their own policies related to the accrual and usage of sick and annual leave.

University's Response

The University complied with WV Code 18B-9-10, section C. The Catastrophic Leave issues have been managed consistently since 1991, when the Catastrophic Leave Program began. Employees on approved Catastrophic Leave continue to accrue benefits including, sick and annual leave, health insurance, holiday pay, years of service, longevity and benefits. The University will review its Catastrophic Leave Policy and clarify it to accurately describe current practice.

Retirements and Resignations

Upon separating from service with the University, we noted three employees were overpaid termination pay totaling \$1,652.16 as shown below:

<u>Employee</u>	<u>Date of Separation from Service</u>	<u>Amount of Termination Pay</u>	<u>Recalculated Amount of Termination Pay</u>	<u>Amount Overpaid</u>
1	05/12/00	\$1,016.51	\$684.78	\$ 331.73
2	04/30/01	375.00	37.50	337.50
3	05/24/01	<u>1,229.00</u>	<u>246.07</u>	<u>982.93</u>
Total		<u>\$2,620.51</u>	<u>\$968.35</u>	<u>\$1,652.16</u>

We believe the above items are in noncompliance with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, which states:

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

In addition, we believe these overpayments are in noncompliance with Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended, which states in part:

“Effective for the fiscal year beginning the first day of July, one thousand nine hundred ninety-six, every eligible employee with three or more years of service shall receive an annual salary increase equal to fifty dollars times the employees’ years of service, not to exceed twenty years of service. In each fiscal year thereafter and on the first day of July, each eligible employee shall receive an annual increment increase of fifty dollars for that fiscal year. . .”

Employees eligible to receive an annual increment are defined in Chapter 5, Article 5, Section 1 of the West Virginia Code, as amended, which states in part:

“For the purposes of this article: (1) “Eligible employee” means any regular full-time employee of the state or any spending unit thereof

who is eligible for membership in any state retirement system of the state of West Virginia or other retirement plan authorized by the state. . . .”

Also, we believe the University is not in compliance with Section 2.1 of Higher Education Policy Bulletin 62 which states in part,

“2.1 This subsection defines the different types of employment that institutions may use and the status under the classification program and for benefits.

2.1.1 Full-Time Regular Employee (FTR). Any employee in a classified position created to last a minimum of nine months of a twelve month period and in which *such employee is expected to work no less than 1,040 hours during said period*. The full-time equivalent (FTE) of such a position must be reported at no less than .53 FTE. Such an employee is covered under the classification program set out by this rule and is eligible for all applicable benefits of a full-time regular classified employee, subject to qualifying conditions of each benefit. Such benefits shall be prorated in relation to a 1.00 FTE. Length of service as a full-time regular employee with the State of West Virginia shall be credited toward initial placement on the salary schedule which may be subsequently enacted by the Legislature or adopted by the governing boards. . . .”

The effect of not complying with the above requirements could allow an employee to receive more compensation than they are entitled to receive.

West Virginia University terminated the first employee’s employment effective May 12, 2000 because her medical leave of absence expired on this date. We determined she was overpaid by \$331.73 as the result of being compensated too much base pay and pro-rated annual increment. Her employment ended on May 12, 2000, but agency payroll records indicate she was compensated \$99.77 for May 15, 2000. Thus, she was overpaid \$99.77 in base pay for the first pay period of May 2000.

We believe this overpayment occurred as the result of WVU's Human Resources Office not notifying the Student Affairs Business Office (SABO) in a timely manner of the impending termination of this employee due to the expiration of her medical leave of absence. The lack of a timely notification did not allow SABO personnel a reasonable amount of time to complete a termination form on the employee to enable the Human Resources Office to officially terminate the employee in the computer system thus preventing the aforementioned overpayment. According to Human Resources personnel, Human Resources recently implemented a procedural change where the Human Resources Office would go ahead and terminate these employees when notified by Medical Management that an employee's medical leave of absence has expired in order to prevent these type of overpayments.

We also noted this employee was overpaid \$231.96 for her pro-rated annual increment. We determined the employee should have only received a pro-rated annual increment of \$684.78, while the University paid her a pro-rated annual increment of \$916.74. According to a Human Resources Representative, WVU's practice concerning the calculation of an employee's pro-rated annual increment at the termination of their employment is to take the annual increment the employee would have received at the end of the fiscal year and pro-rate this amount in accordance with the amount of time the employee spent in an active payroll status during the same fiscal year. West Virginia University considers the time period an employee remained on the payroll while receiving donated leave during a medical leave of absence as an active payroll status. This employee was on catastrophic leave from March 2000 to May 2000. As a result of this practice, WVU included the months this employee was on donated leave in the calculation of her pro-rated annual increment which accounted for the aforementioned overpayment.

University records indicated the second employee received donated leave while on a medical leave of absence from July 2000 through April 2001. We determined this employee was overpaid by \$337.50 upon separating from service with the University on April 30, 2001. This overpayment was the result of WVU calculating the employee's pro-rated annual increment in the manner previously described. We determined he should have only received a pro-rated annual increment of \$37.50, while the University actually paid him a pro-rated annual increment of \$375.00.

Finally, we noted the third employee was overpaid by \$982.93 upon resigning her position with the University effective May 24, 2001. Prior to resigning, this employee was employed as a Food Service Worker within the Dining Services Department under Student Affairs. At termination, she had an unadjusted annual leave balance of 36.25 hours. The Assistant Director of Dining Services indicated this balance was overstated by 44.50 hours due to undocumented leave usage not being posted to the employee's official leave record. West Virginia University compensated this employee for only 7.50 hours of the unadjusted annual leave balance of 36.25 hours in an attempt to rectify this oversight. However, we noted the amount compensated the employee still resulted in a net overpayment of 15.75 hours costing the University an additional \$146.43.

Also, contributing to the total overpayment of termination pay made to this employee, we noted she was fully compensated her regular pay for the second pay period of May 2001 when this payment should have been pro-rated. The University attempted to correct the May 31, 2001 overpayment by issuing a correction check on June 15, 2001; however, the May 31, 2001 check for \$836.50 was never returned by the employee. Upon speaking with University personnel, we believe this error occurred as the result of a communications breakdown between WVU's Human Resources Office and the Student Affairs Business Office (SABO) allowing the check to be distributed.

Chapter 14, Article 1, Section 18a of the West Virginia Code regarding collection procedures for amounts due the State, states in part,

“Any account, claim or debt that an agency of this State is not able to collect within three months after trying with due diligence to do so may be referred to the commission of finance and administration for consignment by the commissioner to a responsible licensed and bonded debt collection agency or similar other responsible agent for collection. . . .”

We recommend WVU comply with Chapter 12, Article 3, Section 13, as amended; Chapter 5, Article 5, Section 1, as amended; and Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended. In addition, we recommend WVU comply with Higher Education Policy Bulletin 62. Lastly, we recommend WVU seek reimbursement for the amounts overpaid to these former employees using the remedies available in Chapter 14, Article 1, Section 18a of the West Virginia Code, if needed.

University's Response

The University complied with Chapter 12, Article 3, Section 13, as amended; Chapter 5, Article 5, Sections 1 and 2, as amended of the West Virginia Code and Higher Education Policy Bulletin 62. In addition, the University is compliant with West Virginia Division of Personnel Annual Increment Policy. It is University practice to seek collection from employees, both present and past, when an overpayment is detected.

Equipment Inventory

During our examination of the inventory of equipment items belonging to the Student Union Account, there were five items totaling \$12,775.00 on the inventory listing which could not be traced to the physical location. These equipment items are detailed in the following schedule:

<u>Tag No.</u>	<u>Item</u>	<u>Department</u>	<u>Location Per Report</u>	<u>Acquisition Cost</u>
ZOC51827	Electronic Cash Register	Student Union	Mountainlair Room 113	\$ 1,199.00
OC57827	Commercial Food Range	Student Union	Mountainlair Room G14	2,288.00
ZOA68782	Potato Peeler	Student Union	Mountainlair Room G16C	1,287.00
ZOB62235	Pan Scale	Student Union	Mountainlair Room G16	1,134.00
N/A	Electronic Cash Register	Student Union	Mountainlair	<u>6,867.00</u>
Total				<u>\$12,775.00</u>

We also noted five items totaling \$14,491.40 which did not have inventory tags.

These items were as follows:

<u>Tag No.</u>	<u>Item</u>	<u>Department</u>	<u>Location Per Report</u>	<u>Acquisition Cost</u>
OC04537	Coffee Urn	Student Union	Mountainlair Room 236	\$ 3,900.00
ZOC20223	Pot/Pan Dishwasher	Student Union	Mountainlair Room G16C	2,837.00
ZOC52853	Heated Food Display Counter	Student Union	Mountainlair Room B5	1,393.00
ZOC27961	Conference Table	Student Union	Mountainlair Room 131	1,475.00
OA68687	Commercial Refrigerator	Student Union	Mountainlair Room 236	<u>4,886.40</u>
Total				<u>\$14,491.40</u>

Finally, WVU charged one equipment purchase totaling \$6,362.00 to a current expense object code. This purchase, which was for Office Furniture (chairs), was erroneously charged to Object Code 040 - Merchandise for Resale rather than to Object Code 079 - Miscellaneous Equipment.

The guidelines for efficient record keeping are set forth in Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, which 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 for the state and of persons directly affected by the agency’s activities. . . .”

Section 13.2 of Higher Education Policy Commission, Policy Bulletin Number 21 also addresses record keeping in regard to inventory management. Section 13.2 states:

“13.2.1. The chief procurement officer shall inventory all equipment and furnishings that have a value at the time of purchase or acquisition of \$1,000 or more per unit. Such inventory shall be kept current at all times.

13.2.2. The chief procurement officer shall set up and maintain the institution’s inventory management system on the basis of generally accepted accounting standards. This system shall also conform to the requirements of the Governing Board, the state and federal government as applicable.

13.2.3. The chief procurement officer shall conduct an annual audit of the institution’s inventory. On the fifteenth of July of each year, the president shall submit the institution’s inventory report to the senior administrator for the preceding fiscal year.”

Regarding the misclassified expenditure, the State of West Virginia Expenditure Schedule Instructions, as amended, states in part:

“Current Expenses are those operating costs for an agency, other than personal services and employee benefits, that are generally recurring in nature, either monthly, quarterly, etc., but should not include expenses for Repair and Alterations, Equipment or Capital Expenditures. . .

. . . Current Expense Object Code 040 - Merchandise for Resale. Those items purchased for the purpose of resale, e.g., goods, candy, souvenirs, etc.; in places such as student unions, state parks, book stores, college cafeterias . . .

. . . Equipment shall mean items of equipment which have an appreciable and calculable period of usefulness in excess of one year . . .

. . . Equipment Object Code 079 - Miscellaneous Equipment. All purchases or lease purchases of equipment with a dollar value less than \$1,000 each. . . .”

The University by not complying with the above requirements increases the possibility of producing financial statements which are misstated and could also result in University property being converted to personal use. According to the SABO Coordinator, the equipment items which we were unable to trace to their physical location were most likely retired and sent to surplus; however, she could not provide us with any documentation verifying these items had been retired. Also, we believe the items with no inventory tags were due to an oversight of University personnel when these items were acquired and the inventory tags were not affixed at that time.

Regarding the misclassified equipment purchase, WVU did not properly classify the disbursement based on the criteria established by the Department of Administration. By not classifying disbursements properly, financial statements could be misstated.

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and Section 13.2 of Higher Education Policy Commission, Policy Bulletin Number 21. We also recommend WVU follow the guidelines for defining purchase types established in the State of West Virginia Expenditure Schedule instructions, as amended.

University's Response

The University makes every effort to be in compliance with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended and Section 13.2 of Higher Education Policy Commission, Policy Bulletin Number 21. The items in question were sent for surplus; however, the documentation was incomplete. To improve this process signatures are now required for items leaving and entering the warehouse as well as signatures from Physical Plant for all items sent to the landfill. Equipment that did not have tags will be retagged. The tags may have become detached due to the age of the equipment or equipment being located in damp areas. Lastly, the University is in compliance with the guidelines for defining purchase types established in the State of West Virginia Expenditures Schedule instructions, as amended. The classifications of the items in question roll up to the same line in the financial statements. Therefore, the financial statements will not be misstated.

Purchasing Card Transactions

During our review of purchasing card transactions, we noted three purchasing card transactions totaling \$2,500.00 were not supported by the appropriate documentation; two instances where WVU made two purchasing card purchases totaling \$1,125.00 for conference fees; and one instance of an equipment purchase totaling \$998.85 was erroneously charged to a current expense object code.

Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, states in part:

“The head of each agency shall:
. . .(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to

furnish information to protect the legal and financial rights for the state and of persons directly affected by the agency's activities. . . .”

In addition, the State Auditor's Office Purchasing Card Policies and Procedures, as amended, states in part:

“Restricted Items: Payment for the following items may not be made using the purchasing card . . . Travel Related Expenses . . . Receipts: An itemized receipt must be obtained for each transaction placed on the card. A receipt must contain certain specific information and meet certain conditions: Receipts must be itemized and include a description, unit cost, quantity, and total cost for each item. . . .”

Regarding the misclassified expenditure, the State of West Virginia Expenditure Schedule Instructions, as amended, states in part:

“Current Expenses are those operating costs for an agency, other than personal services and employee benefits, that are generally recurring in nature, either monthly, quarterly, etc., but should not include expenses for Repair and Alterations, Equipment or Capital Expenditures. . .

. . . Current Expense Object Code 034 - Clothing, Household and Recreational Supplies. Articles of clothing purchased or rented for state employees, inmates and patients, such as uniforms, linens, blankets, and material purchased for repair and maintenance of the above. Household supplies include items purchased for cleaning, laundering, detergents, disinfectants, light bulbs, garbage cans, trash bags, etc. Any expenditures for athletic or recreational supplies which are not specifically included in any other object code. . .

. . . Equipment shall mean items of equipment which have an appreciable and calculable period of usefulness in excess of one year. . .

. . . Equipment Object Code 079 - Miscellaneous Equipment. All purchases or lease purchases of equipment with a dollar value less than \$1,000 each. . . .”

University personnel were unable to locate the documentation supporting two of these transactions, while the other transaction was only supported by a packing slip and not a valid credit card receipt. As a result, we were either unable to determine what items/services were purchased and/or if the purchases were made in compliance with applicable laws, rules and regulations.

Also, the State Auditor's Office has restricted the purchasing card from being used to pay travel-related expenses to reduce the possibility of travel expenses being paid both on the purchasing card and via a travel-expense reimbursement to the employee. By ignoring these policies, WVU increases its risks in paying for the same goods and services twice. West Virginia University did not follow the State Auditor's Office Purchasing Card Policies and Procedures when paying the above travel-related conference fees.

Regarding the misclassified purchasing card transaction, WVU did not properly classify the disbursement based on the criteria established by the Department of Administration. This purchase, which was for television mounts and related hardware, was erroneously charged to Object Code 034 - Clothing, Household and Recreational Supplies rather than to Object Code 079 - Miscellaneous Equipment. By not classifying disbursements properly, financial statements could be misstated.

We recommend WVU comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. We also recommend WVU comply with the State Auditor's Purchasing Card Policies and Procedures, as amended. Lastly, we recommend WVU follow the guidelines for defining purchase types established in the State of West Virginia Expenditure Schedule instructions, as amended.

University's Response

The University's practice is to comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended. The University will review record retention practices across campus and make modifications where necessary. The University is also in compliance with the State Auditor's Purchasing Card Policies and Procedures, as amended. Per West Virginia State Travel Regulations, the Diners' Club is the first option for paying registration fees. If the Diners' Club card is not accepted or the traveler does not have one, the Procurement Card can be used on an emergency and limited basis. Student Affairs Business Operations (SABO) was the first Expert Business Office at West Virginia University to be audited by the State Auditor's Office. This audit was focused on SABO's management of the State's procurement card. The State Auditor's Office concluded that SABO's procurement card purchases were in compliance with policy and procedures. With this confidence, the State Auditor's Office authorized increasing the transaction dollar limit for specific procurement cards within Student Affairs to \$5,000. Lastly, the University is in compliance with the guidelines for defining purchase types established in the State of West Virginia Expenditures Schedule instructions, as amended. The classifications of the items in question roll up to the same line in the financial statements. Therefore, the financial statements will not be misstated.

Payroll Transactions

We noted 16 instances where WVU did not properly compensate three employees paid from the Student Union Account. Details of these 16 instances are shown in the following table.

<u>Employee</u>	<u>Pay Period Ending</u>	<u>Hours Earned/(Deficit)*</u>		<u>Value of Unpaid Hours/ (Overpayments)</u>
		<u>Straight Time Rate</u>	<u>Overtime Rate (1.5 rate)</u>	
1	01/30/2001	1.25	0.00	\$ 13.75
1	04/30/2001	(1.00)	0.00	(11.00)
1	05/31/2001	5.25	0.00	57.73
2	11/30/1999	(7.50)	0.00	(71.45)
3	09/30/1999	1.50	0.00	25.16
3	11/15/1999	1.25	0.00	20.97
3	11/30/1999	1.25	0.00	20.97
3	02/29/2000	1.25	0.00	20.97
3	03/15/2000	1.75	0.00	29.36
3	03/30/2000	1.50	0.00	25.16
3	07/14/2000	2.75	0.00	46.02
3	08/15/2000	2.50	1.00	68.83
3	10/15/2000	2.50	2.00	94.64
3	02/15/2001	1.25	0.00	21.51
3	03/30/2001	1.50	0.00	27.07
3	06/29/2001	**	**	<u>52.22</u>
Net difference Underpaid/(Overpaid)				<u>\$441.91</u>

* Positive hours shown here are the hours earned by the employee that were not paid to the employee and were not granted as compensatory time off (CTO) in lieu of receiving overtime payments. Negative hours shown here are hours not earned by the employee or earned by the employee and the employee was granted CTO for the hours and erroneously paid overtime for the same hours.

** The employee was paid for the proper number of hours but at an incorrect hourly rate.

We believe these errors are in noncompliance with Section 7.5 of The Fair Labor Standards Act of 1938, as amended, which states in part:

“(a) (1) Except as otherwise provided in this section, no employer shall employ any of his employees who in any workweek . . . longer than forty hours unless such employee receives compensation for his employment in excess of the hours above specified at a rate not less than one and one-half times the regular rate at which he is employed. . . .” (emphasis added)

Also, the University’s WVU-HR-31 Overtime Policy states in part:

“. . . At times, employees may be required to work additional time than their standard scheduled work hours. The University will properly account for and compensate employees in such situations. . . . Only actual hours worked beyond forty (40) within a workweek by a non-exempt employee qualify as overtime. Work release time and absences charged to leave accruals during the workweek are not calculated as actual hours worked for overtime. Overtime must be compensated: in wages at the rate of one and one-half (1 ½) the employee's regular rate of pay, or, in compensatory time off (CTO) at the rate of one and one-half (1 ½) the time worked over forty hours. Time worked between 37.5 and 40 hours within a workweek by a non-exempt employee must be compensated at the employee's regular hourly rate of pay. . . .”

Additionally, Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

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

Regarding the instance where the wrong hourly rate was used to calculate an employee’s overtime compensation, Attorney General’s Opinion Number 3 dated August 17, 1988, states in part:

“. . . since Code 5-5-2 also addresses such increment, it must be read in parimateria with Code 5-5-1, both of which latter sections specify that such annual increment constitutes an “annual salary increase” is thus an integral part of an employee’s gross annual salary . . .”

The above employees were under compensated by a net amount of \$441.91. Both the Director of the Mountainlair Student Union facility and the Assistant Director of Dining Services stated the above differences were generally attributable to the following two factors: (1) oversight of the employees’ supervisors while reviewing the employees time sheets; or (2) our calculations did not include hours that WVU believes the employee to have worked but were not documented on the employee’s time sheets. In regard to the instance where the employee was not compensated at the proper hourly rate, the Assistant to the Associate Vice President of Student Affairs agreed that the hourly rate did not include the employee's annual increment; however, she could not provide us with a reasonable explanation for why the employee's annual increment was not included in the hourly rate used to compensate the employee.

We recommend WVU comply with the Fair Labor Standards Act of 1938, as amended; WVU-HR-31 Overtime Policy; Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended; and the Attorney General’s Opinion Number 3 dated August 17, 1988.

University’s Response

The University makes every effort to be in compliance with the Fair Labor Standards Act of 1938, as amended; WVU-HR-31 Overtime Policy; Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended; and the Attorney General’s Opinion Number 3 dated August 17, 1988. The recent purchase of a new computerized time recording system has enhanced the accuracy of records reflecting the hours worked. While the system in existence during the audited period was effective in capturing employees’ time and attendance and reducing

administrative costs, the outdated system did not allow post-audit corrections to be posted to the system. These handwritten manual adjustments to printed reports could be misinterpreted and misplaced, causing additional confusion with reconciliation. The current system allows for post-audit information to be recorded in the system. Supervisors also have on-line approvals. Improved reconciliation processes have also been implemented with the new system.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of cash receipts, disbursements and changes in cash balances of the Student Union Account of West Virginia University for the years ended June 30, 2001 and June 30, 2000. The financial statement is the responsibility of the management of West Virginia University. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenses paid of the Student Union Account of West Virginia University for the years ended June 30, 2001 and June 30, 2000, on the basis of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,


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

August 30, 2002

Auditors: Michael E. Sizemore, CPA, Supervisor
Neil M. McEachron, Jr., CPA, Auditor-in-Charge
Noah E. Cochran, CPA
Trenton Morton

**WEST VIRGINIA UNIVERSITY
STUDENT UNION ACCOUNT
STATEMENT OF CASH RECEIPTS/DISBURSEMENTS
AND CHANGES IN CASH BALANCES**

	<u>Year Ended June 30, 2001</u>		
	<u>Special Revenue</u>	<u>Bond Accounts</u>	<u>Combined Totals</u>
Cash Receipts:			
Tuition and Fees	\$ 2,511,477.92	\$ 0.00	\$ 2,511,477.92
Room and Board	1,096,780.73	0.00	1,096,780.73
Other Collections, Fees, Licences, and Income	1,611,917.77	0.00	1,611,917.77
Student Union Food and Beverage Sales	1,056,231.93	0.00	1,056,231.93
Other Rental Income	179,682.91	0.00	179,682.91
Investment Earnings	128,095.52	1,051,410.09	1,179,505.61
Miscellaneous	<u>305,016.21</u>	<u>0.00</u>	<u>305,016.21</u>
	6,889,202.99	1,051,410.09	7,940,613.08
Disbursements:			
Personal Services	2,038,286.26	0.00	2,038,286.26
Employee Benefits	493,278.23	0.00	493,278.23
Current Expenses	3,200,127.25	0.00	3,200,127.25
Repairs and Alterations	98,852.05	0.00	98,852.05
Equipment	375,794.86	0.00	375,794.86
Buildings	16,728,803.51	0.00	16,728,803.51
Payment of Principal and/or Interest to Bondholders	0.00	2,178,442.50	2,178,442.50
Transfers to Student Housing Account	0.00	0.00	0.00
Refunds	102,585.88	0.00	102,585.88
Miscellaneous	<u>14,459.03</u>	<u>5,823.97</u>	<u>20,283.00</u>
	<u>23,052,187.07</u>	<u>2,184,266.47</u>	<u>25,236,453.54</u>
Cash Receipts (Under) Disbursements	(16,162,984.08)	(1,132,856.38)	(17,295,840.46)
Beginning Balance	566,759.12	28,195,200.42	28,761,959.54
Transfers In/(Out)	<u>16,691,426.21</u>	<u>(16,691,426.21)</u>	<u>(0.00)</u>
Ending Balance	<u>\$ 1,095,201.25</u>	<u>\$10,370,917.83</u>	<u>\$11,466,119.08</u>

See Notes to Financial Statement

Year Ended June 30, 2000

<u>Special Revenue</u>	<u>Bond Accounts</u>	<u>Combined Totals</u>
\$ 2,497,538.41	\$ 0.00	\$ 2,497,538.41
670,073.56	0.00	670,073.56
1,092,993.48	0.00	1,092,993.48
929,045.43	0.00	929,045.43
119,569.20	0.00	119,569.20
8,372.55	1,893,519.59	1,901,892.14
<u>182.89</u>	<u>0.00</u>	<u>182.89</u>
5,317,775.52	1,893,519.59	7,211,295.11
2,000,811.02	0.00	2,000,811.02
566,833.78	0.00	566,833.78
2,496,258.24	0.00	2,496,258.24
121,920.27	0.00	121,920.27
174,860.81	0.00	174,860.81
6,679,408.25	0.00	6,679,408.25
0.00	2,180,530.00	2,180,530.00
130,354.98	0.00	130,354.98
105,862.77	0.00	105,862.77
<u>176,338.38</u>	<u>309.28</u>	<u>176,647.66</u>
<u>12,452,648.50</u>	<u>2,180,839.28</u>	<u>14,633,487.78</u>
(7,134,872.98)	(287,319.69)	(7,422,192.67)
719,367.31	35,464,784.90	36,184,152.21
<u>6,982,264.79</u>	<u>(6,982,264.79)</u>	<u>0.00</u>
<u>\$ 566,759.12</u>	<u>\$28,195,200.42</u>	<u>\$28,761,959.54</u>

WEST VIRGINIA UNIVERSITY

STUDENT UNION ACCOUNT

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policy

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

Combined Totals: The combined totals contain the totals of similar accounts. Since the cash receipts of certain accounts are restricted by various laws, rules and regulations, the totaling of the accounts is for memorandum purposes only and does not indicate that the combined totals are available in any manner other than that provided by such laws, rules and regulations.

Note B - Student Union Refunding Revenue Bonds 1997 Series A and the Student Union Revenue Bonds 1997 Series B

In December 1997, the Board sold \$3,000,000 of Refunding Revenue Bonds, 1997 Student Union Series A and \$38,000,000 of Revenue Bonds, 1997 Student Union Series B (collectively the "Bonds"). The Bonds were part of a single issue with \$3,250,000 of Refunding Revenue Bonds, 1997 Athletic Facilities Series A and with \$4,250,000 of Revenue Bonds, 1997 Athletic Facilities Series B. The Bonds were issued under the provisions of the West Virginia Code of 1931, as amended, particularly Chapter 18. The proceeds of the 1997 Series A Bonds were used, together with other funds, to refund the prior Bonds. The proceeds of the 1997 Series B Bonds are being used (1) to pay a portion of the costs of acquisition, construction and equipping of a new student union and related capital improvements at the University; (2) to pay interest on the 1997 Series B Bonds through May 1, 2001; and (3) to pay a portion of the costs of issuance of the 1997 Series B Bonds.

The 1997 Series A Bonds, with varying interest rates up to 4.95%, mature serially through May 1, 2011. The 1997 Series B Bonds consist of \$7,565,000 Serial Bonds, with varying interest rates up to 5.0% and mature serially May 1, 2002 through May 1, 2012, with a final maturity on May 1, 2018 and of \$30,435,000 Term Bonds bearing interest at 5.0% maturing May 1, 2015, 2017 and 2027, which are subject to mandatory redemption prior to maturity. The redemption price on the Term Bonds is equal to 100% of the principal amount plus accrued interest to the mandatory redemption date beginning May 1, 2013 through May 1, 2017 and May 1, 2019 through May 1, 2027. Beginning on May 1, 2008, the Bonds maturing on and after May 1, 2009, may be subject to redemption prior to maturity, at the option of the Board.

The Student Union Bonds are special obligations of the State and are payable from and secured by a first lien on the net revenue derived from the student union's building fees and other revenues derived from the operation of the existing student union facility, the Mountainlair, and the new student union facility at the Evansdale Campus and certain accounts held under the Student Union Trust Indenture. The Bonds shall not be deemed to be general obligations or debts of the State within the meaning of the Constitution of the State and the credit or taxing power of the State shall not be pledged therefore.

A summary of annual aggregate principal and interest payments for years subsequent to June 30, 2001, follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>1997 Series A</u>		<u>1997 Series B</u>		<u>Grand Total</u>
	<u>Principal</u> <u>Payments</u>	<u>Interest (Due</u> <u>May 1 and</u> <u>November 1)</u>	<u>Principal</u> <u>Payments</u>	<u>Interest (Due</u> <u>May 1 and</u> <u>November 1)</u>	
2002	\$190,000	\$106,690	\$ 220,000	\$ 1,884,373	\$ 2,401,063
2003	195,000	98,710	230,000	1,875,133	2,398,843
2004	205,000	90,325	240,000	1,865,243	2,400,568
2005	215,000	81,305	450,000	1,854,683	2,600,988
2006	225,000	71,630	470,000	1,834,433	2,601,063
2007	235,000	61,393	490,000	1,813,048	2,599,440
2008	245,000	50,583	515,000	1,790,508	2,601,090
2009	255,000	39,068	640,000	1,766,303	2,700,370
2010	270,000	26,955	665,000	1,735,903	2,697,858
2011	280,000	13,860	700,000	1,703,650	2,697,510
2012	-0-	-0-	1,030,000	1,669,000	2,699,000
2013	-0-	-0-	1,500,000	1,617,500	3,117,500
2014	-0-	-0-	1,575,000	1,542,500	3,117,500
2015	-0-	-0-	1,655,000	1,463,750	3,118,750
2016	-0-	-0-	1,735,000	1,381,000	3,116,000
2017	-0-	-0-	1,820,000	1,294,250	3,114,250
2018	-0-	-0-	1,915,000	1,203,250	3,118,250
2019	-0-	-0-	2,010,000	1,107,500	3,117,500

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>1997 Series A</u>		<u>1997 Series B</u>		<u>Grand Total</u>
	<u>Principal</u> <u>Payments</u>	<u>Interest (Due</u> <u>May 1 and</u> <u>November 1)</u>	<u>Principal</u> <u>Payments</u>	<u>Interest (Due</u> <u>May 1 and</u> <u>November 1)</u>	
2020	-0-	-0-	2,110,000	1,007,000	3,117,000
2021	-0-	-0-	2,215,000	901,500	3,116,500
2022	-0-	-0-	2,325,000	790,750	3,115,750
2023	-0-	-0-	2,440,000	674,500	3,114,500
2024	-0-	-0-	2,565,000	552,500	3,117,500
2025	-0-	-0-	2,690,000	424,250	3,114,250
2026	-0-	-0-	2,825,000	289,750	3,114,750
2027	<u>-0-</u>	<u>-0-</u>	<u>2,970,000</u>	<u>148,500</u>	<u>3,118,500</u>
Total	<u>\$2,315,000</u>	<u>\$640,519</u>	<u>\$38,000,000</u>	<u>\$34,190,777</u>	<u>\$75,146,293</u>

Note C - Pension Plan

All eligible employees are members of either the West Virginia State Teachers' Retirement System (STRS) or the Teachers' Insurance Annuity Association (TIAA). Effective July 1, 1991, STRS was closed to new participants.

For the West Virginia State Teachers' Retirement System, employees' contributions are 6.0% of their total annual salaries and employees are vested under certain circumstances. The University's contributions to the STRS was at the rate of 15.0% of each enrolled employee's total annual salaries for the years ended June 30, 2001 and 2000, respectively.

Each employee who participates in the Teachers' Insurance Annuity Association is required to contribute 6.0% of their total annual compensation. The University matches the employees' 6.0% contributions. Contributions are immediately and fully vested.

West Virginia University's pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
Special Revenue	<u>\$105,053.46</u>	<u>\$120,672.14</u>

SUPPLEMENTAL INFORMATION

WEST VIRGINIA UNIVERSITY

STUDENT UNION ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGE IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>Student Union Account - Fund 4149-099/523/640</u>		
Cash Receipts:		
Tuition and Fees	\$2,511,477.92	\$2,497,538.41
Room and Board	1,096,780.73	670,073.56
Other Collections, Fees, Licences, and Income	1,611,917.77	1,092,993.48
Student Union Food and Beverage Sales	1,056,231.93	929,045.43
Other Rental Income	179,682.91	119,569.20
Investment Earnings	128,095.52	8,372.55
Miscellaneous	<u>305,016.21</u>	<u>182.89</u>
	6,889,202.99	5,317,775.52
Disbursements:		
Personal Services	2,038,286.26	2,000,811.02
Employee Benefits	493,278.23	566,833.78
Current Expenses	3,376,362.95	2,396,788.02
Repairs and Alterations	73,546.52	121,920.27
Equipment	235,917.88	174,860.81
Transfers to Student Housing Account	0.00	130,354.98
Refunds	102,585.88	105,862.77
Miscellaneous	14,459.03	176,338.38
	<u>6,334,436.75</u>	<u>5,497,431.65</u>
Cash Receipts Over/(Under) Disbursements	554,766.24	(179,656.13)
Beginning Balance	<u>92,871.13</u>	<u>448,865.64</u>
Ending Balance	<u>\$ 647,637.37</u>	<u>\$ 269,209.51</u>

WEST VIRGINIA UNIVERSITY
STUDENT UNION ACCOUNT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGE IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>Building Renewal/Capital Equipment Acquisition</u>		
<u>Account Fund 4163-099/523/640</u>		
Cash Receipts:		
Construction of Student Recreation Center:		
Receipt of Bond Proceeds	\$17,289,813.20	\$7,277,163.88
Disbursements:		
Construction of Student Recreation Center:		
Current Expenses	422,151.29	394,369.31
Repairs & Alterations	25,305.53	0.00
Equipment	139,876.98	0.00
Buildings	<u>16,728,803.51</u>	<u>6,679,408.25</u>
	<u>17,316,137.31</u>	<u>7,073,777.56</u>
Cash Receipts (Under)/Over Disbursements	(26,324.11)	203,386.32
Beginning Balance	<u>471,358.79</u>	<u>267,972.47</u>
Ending Balance	<u>\$ 445,034.68</u>	<u>\$ 471,358.79</u>

WEST VIRGINIA UNIVERSITY

STUDENT UNION ACCOUNT

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

LOCAL ACCOUNTS

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>Mountaineer Tavern Advance Account</u>		
Beginning Balance	\$ 0.00	\$ 2,529.20
Cash Receipts:		
Advances to Purchase Beer	<u>25,000.00</u>	<u>25,500.00</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$25,000.00</u>	<u>\$28,029.20</u>
Cash Disbursements:		
Beer Purchases for Resale	\$18,531.85	\$17,175.55
Settlement of Advances	<u>6,468.15</u>	<u>10,853.65</u>
	25,000.00	28,029.20
Ending Balance	<u>0.00</u>	<u>0.00</u>
TOTAL CASH ACCOUNTED FOR	<u>\$25,000.00</u>	<u>\$28,029.20</u>

WEST VIRGINIA UNIVERSITY

STUDENT UNION ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGE IN CASH BALANCE

BOND ACCOUNTS

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>1997 Student Union Bond Issuance</u>		
<u>Series A Bond Account</u>		
Cash Receipts:		
Transfers from WVU	\$294,064.52	\$294,899.09
Investment Earnings	<u>221.92</u>	<u>92.62</u>
	294,286.44	294,991.71
Disbursements:		
Principal and/or Interest to Bondholders	294,070.00	296,157.50
Payment of Cash Management Fee	<u>26.06</u>	<u>9.48</u>
	<u>294,096.06</u>	<u>296,166.98</u>
Cash Receipts Over/(Under) Disbursements	190.38	(1,175.27)
Beginning Balance	<u>5.33</u>	<u>1,180.60</u>
Ending Balance	<u>\$ 195.71</u>	<u>\$ 5.33</u>

WEST VIRGINIA UNIVERSITY

STUDENT UNION ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGE IN CASH BALANCE

BOND ACCOUNTS

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>1997 Student Union Bond Issuance</u>		
<u>Series B Bond Account</u>		
Cash Receipts:		
Transfers from WVU	\$ 304,322.47	\$ 0.00
Transfers from Construction Account	1,591,883.40	1,882,824.83
Investment Earnings	<u>324.55</u>	<u>26.87</u>
	1,896,530.42	1,882,851.70
Disbursements:		
Principal and/or Interest to Bondholders	1,884,372.50	1,884,372.50
Payment of Cash Management Fee	<u>38.48</u>	<u>2.93</u>
	<u>1,884,410.98</u>	<u>1,884,375.43</u>
Cash Receipts Over/(Under) Disbursements	12,119.44	(1,523.73)
Beginning Balance	<u>0.03</u>	<u>1,523.76</u>
Ending Balance	<u>\$ 12,119.47</u>	<u>\$ 0.03</u>

WEST VIRGINIA UNIVERSITY
STUDENT UNION ACCOUNT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGE IN CASH BALANCE
BOND ACCOUNTS

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<u>1997 Student Union Bond Issuance</u>		
<u>Series A&B Construction Account</u>		
Cash Receipts:		
Investment Earnings	\$ 1,050,863.62	\$ 1,893,400.10
	1,050,863.62	1,893,400.10
Disbursements:		
Transfers to WVU	17,289,813.20	7,277,163.88
Transfers to Series B Bond Account	1,591,883.40	1,882,824.83
Payment of Cash Management Fee	5,093.71	296.87
Miscellaneous	<u>665.72</u>	<u>0.00</u>
	<u>18,887,456.03</u>	<u>9,160,285.58</u>
Cash Receipts (Under) Disbursements	(17,836,592.41)	(7,266,885.48)
Beginning Balance	<u>28,195,195.06</u>	<u>35,462,080.54</u>
Ending Balance	<u>\$10,358,602.65</u>	<u>\$28,195,195.06</u>

WEST VIRGINIA UNIVERSITY

STUDENT UNION ACCOUNT

RECONCILIATIONS

JUNE 30, 2001

Mountaineer Tavern Advance Account

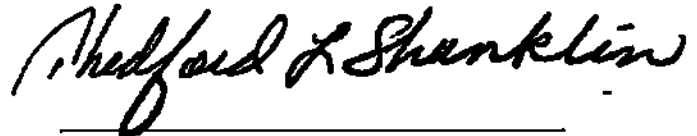
Balance per Bank		\$170.46
Add: Book Error		0.06
Less: Bank Error		2.52
Outstanding Checks		
Check No.	3822	<u>168.00</u>
Balance per Book		<u>\$ 0.00</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report of audit 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 15th day of September 2002.



Thedford 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 West Virginia University; Higher Education Policy Commission; Governor; Attorney General; State Auditor; and, Director of Finance Division, Department of Administration.