

LEGISLATIVE AUDIT REPORT

CONCORD UNIVERSITY

FOR THE PERIOD JULY 1, 2008 - JUNE 30, 2009

AUDIT OVERVIEW

- Unable to audit Bookstore Inventory
- Lack of Internal Control over Student Payroll
- Non-Research and Development Reimbursements and Related Vendors



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POST AUDIT DIVISION



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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The Joint Committee on Government and Finance:

In compliance with the provisions of the W. Va. Code, § 4-2, as amended, we conducted a post audit of Concord University for the audit period of July 1, 2008 through June 30, 2009.

We have conducted our audit in accordance with Generally Accepted Government Auditing Standards except for the organizational independence impairment discussed in the Opinion section of the Independent Auditor's Report. Our audit disclosed certain findings, which are detailed in this report. Concord University's management has responded to the audit findings; we have included the responses following each finding.

Respectfully submitted,

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

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

SLS/cdo

CONCORD UNIVERSITY
JULY 1, 2008 – JUNE 30, 2009

TABLE OF CONTENTS

Independent Auditor’s Report	3
Executive Summary	5
Introduction	16
Post Audit Authority	16
Background.....	16
Administrative Officers and Staff	17
Audit Scope	18
Objectives and Methodologies	18
Conclusions	19
Exit Conference	19
Supplemental Information Fund Listing	20
Material Weaknesses, Significant Deficiencies, and Reportable Compliance and Other Matters	22
Finding 1 – Unable to Audit Bookstore Inventory	22
Finding 2 – Lack of Internal Control over Student Payroll	24
Finding 3 – Non-Research & Development Reimbursements & Related Vendors	26
Finding 4 – Weakness in Internal Control over Cash Collections	29
Finding 5 – Significant Weakness in Use and Safeguarding of State Property	30
Finding 6 – Weakness in Internal Control over Leave & Work Hours	32
Finding 7 – Missing Documentation and Inaccurate Leave	34
Finding 8 – Lack of a Written Contract	37
Finding 9 – Improper Receiving Reports & Lack of Presidential Approval	39
Finding 10 – Aramark Contract	43
Finding 11 – Lack of Internal Policy for Travel	45

Finding 12 – Improper Payment and Missing Documentation in Payroll Transactions.....	47
Finding 13 – Lack of Proper Documentation	51
Finding 14 – Revenues Improperly Deposited	55
Finding 15 – Outstanding Balances and Incorrect Fee Assessment	56
Finding 16 – Contract Terms Not Followed and Special-Handled Checks	58
Finding 17 – Missing Documentation, Improper Years of Service and Improper Payment	60
Finding 18 – CU Compensatory Leave	62
Finding 19 – CU Travel Pay for Employees Called into Work.....	64
Appendix A.....	65
Certificate of Director, Legislative Post Audit Division	77

CONCORD UNIVERSITY
JULY 1, 2008 – JUNE 30, 2009

INDEPENDENT AUDITOR'S REPORT

Post Audit Subcommittee:

Compliance

We have audited Concord University's (hereafter referred to as CU) compliance with the laws, rules, and regulations applicable for fiscal year 2009. Compliance with the requirements referred to above is the responsibility of CU's management. Our responsibility is to express an opinion on CU's compliance based on our audit.

Except for the organizational impairment described in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on CU. An audit includes examining, on a test basis, evidence about CU's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of CU's compliance with those requirements.

In accordance with W. Va. Code § 4-2, the Post Audit Division is required to conduct post audits of the revenues and expenditures of the spending units of the state government. The Post Audit Division is organized under the Legislative Branch of the State and our audits are reported to the Legislative Post Audit Subcommittee. Therefore, the Division has historically been organizationally independent when audits are performed on an agency, board, or program of the Executive Branch of the State. However, this organizational independence was impaired when the President of the Senate became acting Governor of the State on November 15, 2010, in accordance with W.Va. Code §3-10-2. Audits completed after this date will not comply with Generally Accepted Governmental Auditing Standards sections 3.12 – 3.15. These sections of the auditing standards assert that the ability of an audit organization to perform work and report the results objectively can be affected by placement within the governmental organizational structure. Since the President of the Senate is acting Governor, the Executive Branch has the ability to influence the initiation, scope, timing, and completion of any audit. The Executive Branch could also obstruct audit reporting, including the findings and conclusions or the manner, means, or timing of the audit organization's reports.

In our opinion, except for the noncompliance noted in the findings of this report, CU complied, in all material respects, with the compliance requirements referred to above that are applicable for fiscal year 2009.

Internal Control

Management of CU is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered CU's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CU's internal control over compliance.

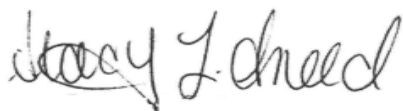
A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in CU's internal control in Finding 1 and 2 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the University's internal control in Finding 3 and 7 to be significant deficiencies.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

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

Respectfully Submitted,

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

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

September 7, 2011

CONCORD UNIVERSITY
JULY 1, 2008 – JUNE 30, 2009

EXECUTIVE SUMMARY

Finding 1 Unable to Audit Bookstore Inventory

We were unable to audit CU's Bookstore inventory for fiscal year 2009 due to the Bookstore not properly utilizing the point of sale [perpetual inventory] system.

Auditor's Recommendation

We recommend the CU Bookstore comply with W. Va. Code 5A-8-9 by utilizing the point of sale system, maintaining an accurate record of all inventory and performing regular physical counts of inventory and reconciling it back to the point of sale system.

Spending Unit's Response

Concord University (Concord) accepts findings in Finding 1. See pages 22 & 23.

Finding 2 Lack of Internal Control over Student Payroll

We were unable to audit approximately \$1,043,603 in Student payroll monies due to an internal control weakness. We could not assure ourselves that the total monies paid were for services actually rendered. During our audit period two students receiving State Work Study monies were able to defraud the CU payroll department. The work study students were able to forge the supervisor's signature and submit the time cards to the CU Payroll Department for payment.

Auditor's Recommendation

We recommend CU comply with W. Va. Code §5A-8-9 to strengthen internal controls and ensure adequate and proper records are kept for the Work Study program.

Spending Unit's Response

Concord accepts the findings in Finding 2. See page 24 & 25.

Finding 3 Non-Research and Development Reimbursements & Related Vendors

We noted CU had contracts with the Research and Development Corporation (R&D) to provide employees for the Athletic Department and the Post Office. The R&D provided employee services for CU and CU reimbursed the R&D the

employees' salaries and benefits and an administrative fee. The reimbursement to R&D for employees' salaries and benefits and the administrative fees totaled \$106,656 for fiscal year 2009.

We noted the R&D and Mountain Lion Club, Inc. was paying invoices, including travel expenditures to employees, on behalf of CU and CU later reimbursed the respective vendors totaling \$14,651 for fiscal year 2009.

Auditor's Recommendation

We recommend CU comply with W. Va. Code §18B-12-2, as amended, and discontinue the practices of contracting with the R&D for employees and allowing the R&D and Mountain Lion Club to make payments on behalf of CU and CU later reimbursing these entities.

Spending Unit's Response

Concord generally agrees with the findings in Finding 3. See pages 26 – 28.

Finding 4 Weakness in Internal Control over Cash Collections

As a result of a weakness in internal control, we were unable to audit cash receipts, totaling approximately \$124,511. CU did not use pre-numbered receipts for various cash collection points.

Auditor's Recommendation

We recommend CU comply with W. Va. Code §5A-8-9 and use [pre-printed] pre-numbered receipt books.

Spending Unit's Response

Concord accepts the findings in Finding 4. See page 29.

Finding 5 Significant Weakness in Use and Safeguarding of State Property

Lack of Written Policy Relating to Use of State Owned Vehicles

CU did not have any written policies or procedures concerning the use of state owned vehicles. We reviewed an incident report from the CU Public Safety Department concerning damage to a state vehicle. Upon inquiry we discovered the damage was due to a deer hitting the side of the state vehicle causing approximately \$2,652 in damages. We noted several issues involving the use of the state vehicle:

- The state employee was not driving the vehicle at the time of the accident; her 20 year old son was driving while she was a passenger.
- In addition to her son driving the vehicle, there were three other students in the car at the time of the accident.

- CU paid the \$1,000 deductible on the car and the National Union Fire Insurance Co. of Pittsburg paid the remaining \$1,652 with the insured being the State of West Virginia, although the state employee willingly let an unauthorized person drive the vehicle and violated several policies pertaining to state vehicles. The employee was verbally reprimanded by multiple supervisors for the misuse of the state vehicle. Any further action could not be taken due to the fact **a policy was not implemented at the time of the accident.**

Fleet Vehicles Not Properly Safeguarded

We also noted the keys to CU Fleet vehicles are not kept in a secure location. The keys to all fleet vehicles are kept in a lock box located outside the bay doors at the CU Physical Plant; however, every employee that uses a fleet vehicle is given the combination to the lock box. The combination has not been changed in over nine years; therefore, employees that have resigned, retired or been terminated and have used a fleet vehicle still have the combination to the lock box.

Auditor’s Recommendation

Also, we recommend an internal policy governing the use of state vehicles be instituted per HEPC Title 133 Series 29, 5.2.1.1. In addition, we recommend the keys to fleet vehicles should be accessible to the employee requesting the vehicle when he/she is present and can be informed of proper procedures concerning the vehicle. The employee should sign for and assume responsibility for the vehicle.

Spending Unit’s Response

Concord accepts the findings in Finding 5. See pages 30 & 31.

Finding 6 Weakness in Internal Control over Leave & Work Hours

During our audit of Sick, Annual and Compensatory leave, we tested 13 of 155 employees and noted that one employee had instances of leave being taken before it had been accrued, as well as not working the specified amount of hours according to the WV-11 (37.5 hours). The employee had one instance of taking Annual Leave before it was earned and two instances of taking Sick Leave before it was earned. The same employee also failed to work (or take adequate leave) for 26 out of 52 work weeks (50% of the time).

Auditor’s Recommendation

We recommend CU comply with WV Code §12-3-13, WV HEPC Title 133 Series 38, 2.3 and WV HEPC Title 133 Series 8, 6.1 to ensure employee’s time sheets are being properly reviewed for accuracy, employees work their required amount of hours to receive their allotted compensation and leave is not taken before it has been accrued.

Spending Unit's Response

In general, Concord agrees with this finding. See pages 32 & 33.

Finding 7 Missing documentation and inaccurate leave

During our audit of Sick, Annual and Compensatory leave and work hours, we tested 13 of 155 employees and noted instances of missing documentation and/or inaccurate leave amounts for 5 of the 13 tested. These instances are as follows:

- No time sheets submitted by one employee for June 2009
- Four different employees took annual or sick leave but the leave was not submitted in the leave system. This occurred on seven different occasions.

Auditor's Recommendation

We recommend CU strengthen internal controls and comply with WV Code §5A-8-9 and WV HEPC Title 133 Series 38, 2.11 by maintaining accurate time keeping records and ensure all sick, annual and compensatory leave be properly subtracted from the leave system.

Spending Unit's Response

Concord agrees with findings in Finding 7. See pages 34 – 36.

Finding 8 Lack of a Written Contract

During our field work at CU, we noted CU did not have a written contract agreement with the CU Research and Development Corporation (R&D), a non-profit organization. The West Virginia Code authorizes governing boards to enter into agreements with private corporations in order to facilitate research and development grants and opportunities for state institutions of higher education.

Auditor's Recommendation

We recommend CU comply with W. Va. Code §18B-12-3, §18B-12-2, and §18B-12-4 and enter into a written contract agreement with R&D.

Spending Unit's Response

Concord agrees with the findings in Finding 8. See pages 37 & 38.

Finding 9 Improper Receiving Reports & Lack of Presidential Approval

We noted the CU Physical Plant, which is responsible for receiving all commodities and goods, with the exception of the items purchased by the bookstore, was not completing receiving reports in accordance with W. Va. Code.

With the exception of items received for the Maintenance Department, the CU Physical Plant did not open boxes to determine quantity and quality of items received. Also, the receiving report [daily receiving log] used by the Physical Plant for all items received, except for items received for the Maintenance Department, lacked a description and quantity of commodities received; whether commodities are acceptable for payment; and a signed acknowledgment of receipt by the employees receiving the commodities.

CU did not obtain proper approval by the president of five transactions. We also noted two transactions totaling \$18,955 had not been approved by the CU President.

Auditor's Recommendation

We recommend CU comply with W. Va. Code §12-3-10f and Legislative Rule Title 155 Series 1 and open all items when received to verify items ordered were actually received and prepare proper receiving reports for all items received in the CU Physical Plant.

Spending Unit's Response

Concord accepts the findings in Finding 9. See pages 39 – 42.

Finding 10 Aramark Contract

During our test CU's food service contract and Commission Revenue with Aramark we noted the following exceptions:

- The food service vendor contract CU has with Aramark is not being monitored to ensure the vendor is complying with the terms and conditions.
- Copies of the Mercer County Health Inspections reports are not given to the CU staff.
- Two of the Aramark employees had food handler cards which have expired and we were unable to locate a current card showing they had attended the class and were authorized to handle food.
- CU did not receive a detailed record of food service sales, the respective commission rate and the respective commission amounts and; therefore, did not recalculate the commission amounts for accuracy.

Auditor's Recommendation

We recommend CU comply with W. Va. Code §5A-8-9 and monitor the food vendor contract by requesting a detailed record of food service sales, the respective commission rate and the respective commission amounts from Aramark and monitor the contracts to ensure the specifications and requirements outlined in the contract are being followed by the vendor. Also, we recommend CU recalculate the commission amounts [by footing and cross-footing the record] to ensure CU is paid the proper commission. We also recommend CU request copies of all future Health Department inspections to verify Aramark is complying with all state Health Department codes and are promptly correcting any areas of noncompliance.

Spending Unit's Response

Concord accepts the findings in Finding 10. See pages 43 & 44.

Finding 11 Lack of Internal Policy for Travel

During fieldwork, we noted there were no written policies and procedures in place during our audit period to govern the meal reimbursement for student athletes. Additionally, there was no procedure in place to ensure that CU Athletic travel expenditures placed on the purchasing card were not also paid from the Mountain Lion Club, Inc. or the CU Foundation accounts; or to be confident students were not being reimbursed multiple times for the same travel.

Also, during our audit period CU did not have an internal policy to specify a time frame in which travel reimbursement forms must be submitted to CU personnel for processing.

Auditor's Recommendation

We recommend CU comply with W. Va. Code §5A-8-9 and prepare written policies and procedures in relation to student athletic meal reimbursement. Also, we recommend CU put a procedure in place to ensure travel expenditures placed on the purchasing cards are not also paid from the Mountain Lion Club, Inc. or the CU Foundation accounts or any other source. Additionally, we recommend CU comply with HEPC Title 133, Series 29 by establishing a policy stating a time frame in which travel should be submitted by the employee for reimbursement after the last day of travel.

Spending Unit's Response

Concord accepts the findings in Finding 11. See pages 45 & 46.

Finding 12 Improper payment and Missing Documentation in Payroll Transactions

During our audit of payroll transactions, we noted instances of improper payment and missing documentation.

Of 5,963 payroll transactions, we tested 64 noted 14 exceptions:

- We noted five instances where the federal income taxes that should have been withheld did not match the EPICS payroll system totaling \$497.
- We noted two transactions where disability insurance was deducted; however, agency personnel were unable to provide us with a disability insurance form. We also noted the same employee was not paid for two hours of overtime totaling \$50.
- Two employees' state withholding information did not match the EPICS system for a total of \$195 difference.
- Two employees worked hours in excess of 37.5 but we were unable to determine if they received the correct compensatory time due to the fact both employees tracked their own compensatory time without any supervisory authorization or tracking of the time.
- Several errors occurred in calculating overtime for one employee resulting in a \$74 overpayment to the employee.

Auditor's Recommendation

We recommend CU comply with WV Code §5A-8-9 and WV Code §21-5C-5 and accurately deduct the proper amount for federal and state taxes and maintain paperwork showing authorization for all deductions taken from the employees. We recommend CU comply with Title 29, Code of Regulations, Part 778.101 and Part 778.107, WV HEPC Title 133 Series 8, 5.2 and compensate either through overtime pay or compensatory time all employees for any services in excess of 40 hours at a pay rate of time and a half of their regular pay and properly pay employees which work on a holiday. Any overtime hours worked should be approved by a supervisor to ensure the extra hours are necessary.

There should be a written agreement between the employee and the Institution stating they would rather be paid through compensatory time instead of overtime pay.

Spending Unit's Response

Concord agrees with the findings in Finding 12. See pages 47 - 50.

Finding 13 Lack of Proper Documentation

We noted instances where transactions lacked the proper supporting documentation.

- Of a population of 112 Contractual and Professional expenditure transactions we noted two transactions, out of the 29 tested totaling \$17,115, where CU did not receive detailed invoices from the West Virginia Intercollegiate Athletic Conference (WVIAC).
- Of a population of 2,885 purchasing card transactions, CU was unable to provide us with proper supporting documentation for five transactions, totaling \$1,745, of the 35 transactions tested. CU was unable to provide us with: 1) an itemized receipt for a purchase totaling \$18 which was paid to SCI Stamps; 2) a receipt or log sheet for a purchase of \$431 to Allegiant; 3) a receipt for lodging at Canaan Valley for \$176; 4) a FIMS coversheet, p-card statement, and an itemized receipt or log sheet for \$60 paid to State Electric Supply; and 5) a FIMS coversheet, a p-card statement, and an itemized receipt or log sheet for \$1,060 paid to Simplex Grinnell Web.

Auditor’s Recommendation

We recommend CU personnel comply with W. Va. Code §5A-8-9, West Virginia Legislative Rule Title 155, Series 1, Section 3, of the West Virginia Higher Education Purchasing Procedures Manual, and State Purchasing Card Program, Policies and Procedures and review all invoices submitted for payment to ensure the invoices are itemized and detailed and there is proper documentation to support the amount being invoiced to CU. We also recommend CU retain proper supporting documentation.

Spending Unit’s Response

Concord agrees with the findings in Finding 13. See pages 51 – 54.

Finding 14 Revenues Improperly Deposited

The Mountain Lion Club, Inc. collects parking fees at CU athletic events and deposits these moneys into the Mountain Lion Club accounts. The Mountain Lion Club was created to assist the Athletic Department and is a separate entity with its own board members and officers and a separate FEIN.

The parking fees collected for athletic events should have been deposited into the CU Auxiliary Fund. The parking fee for athletic events is \$1 per vehicle and a total of \$553 was deposited with the Mountain Lion Club accounts for the audit period.

Auditor’s Recommendation

We recommend CU comply with W. Va. Code §18B-19-2 and deposit monies received from athletic event parking fees into CU auxiliary funds. Also, we recommend CU work with the Mountain Lion Club, Inc. to determine the parking fees erroneously deposited into the Mountain Lion Club accounts and seek reimbursement.

Spending Unit's Response

Concord agrees with the findings in Finding 14. See page 55.

Finding 15 Outstanding Balances and Incorrect Fee Assessment

During our testing of Tuition and Fees, Refunds, Waivers and Financial Aid at CU, utilizing the population of 6226 students, we noted 11 out of 36 students tested either had outstanding balances or were not assessed the proper amount. We also noted CU allowed students with an outstanding accounts receivable balance to receive degrees.

Auditor's Recommendation

We recommend CU comply with W. Va. Code by requiring all payments and obligations to be collected prior to the start of classes, except as provided in the W. Va. Code, and discontinue the practice of issuing students' degrees when the student has an outstanding balance owed to the University. Further, we recommend CU comply with their own Academic Catalog and keep fee schedules up to date and in line with the proper assessment for the proper class.

Spending Unit's Response

Concord agrees with the findings in Finding 15. See pages 56 & 57.

Finding 16 Contract Terms Not Followed and Special-Handled Checks

During the testing of Contractual and Professional expenditures, we noted CU did not follow the contract terms for one of the fifteen transactions tested of the population of 210 transactions. The institution requested the check be special-handled by the WV State Auditor's Office in order for CU to present payment to the vendor when the service was rendered instead of mailing the check the next business day after the service was rendered as the contract terms specified. Additionally, CU requested checks to be special-handled by the WV State Auditor's Office for four of the fifteen transactions tested as three of the contracts specified payment to be made immediately after the service was rendered; one of those four transactions did not have a written contract agreement.

Auditor's Recommendation

We recommend CU follow the contract terms and issue payment according to the agreement. If the decision is made to special-handle checks, then we recommend CU put appropriate internal controls in place, such as having the department representative sign a form to document the check was received from the CU Accounts Payable Department. Additionally, once the hosting department gives the check to the vendor upon completion of the service, the vendor should be required to sign a form documenting receipt of the check.

Further, we recommend CU try to minimize the number of special handled checks requested.

Spending Unit's Response

Concord agrees with the findings in Finding 16. See pages 58 & 59.

Finding 17 Missing Documentation, Improper Years of Service and Improper Payment

During our test of Annual Increment transactions, we noted instances of either improper payment or we were unable to determine the set Annual Increment which should have been paid due to missing documentation.

Of 163 Annual Increment transactions, we tested 15 and noted two exceptions as detailed below:

- **Employee #1:** We were unable to determine an accurate start date for this employee due to the fact CU was not able to provide us with documentation showing his actual start date.
- **Employee #2:** During our audit period the employee was underpaid by \$540. We went back and recalculated the total amount of misstatement due to the employee because of the error and we calculated she was underpaid by \$3,870.

Auditor's Recommendation

We recommend CU comply with W. Va. Code §5A-8-9, §5-5-2 and §21-5C-5 and accurately account for the employee's years of service. We also recommend CU comply with W. Va. Code §5-5-1 and HEPC 133 Series 38, 2-5 and confirm that all years of service are calculated, including prior state service when figuring the annual increment paid to the employee. We recommend CU compensate the employee for the underpayment due to the miscalculation of the annual increment.

Spending Unit's Response

Concord accepts the findings in Finding 17. See pages 60 & 61.

Finding 18 CU Compensatory Leave

During our test of Sick, Annual and Compensatory leave we noted instances of compensatory time not being verified or tracked by a supervisor. We also found instances of compensatory time not being approved by a supervisor before the time is worked and during our audit period, written agreements between the employee and institution are not completed when the employee chooses compensatory time off in lieu of overtime pay.

We tested 13 out of 155 employees and found the following three exceptions:

- Upon reviewing one employee's time sheets, we noted she had written compensatory time on the bottom of some of her time sheets. We inquired as to who tracked her compensatory time and the employee stated that she did by writing her time earned and used on the bottom of her time sheets. We then proceeded to ask her supervisors which signed off on her time sheet if they verified the compensatory time written on the bottom of the time sheets and we were told they did not verify or track any of the time.
- We were unable to locate prior authorization for compensatory time worked for the above employee. The time worked was not an emergency situation where permission may not be attainable.
- Employees are working overtime hours without prior authorization and are taking compensatory time in lieu of overtime pay. We are unable to locate where a written agreement between the Institution and the employee taking compensatory time in lieu of overtime is being completed.

Auditor's Recommendation

We recommend CU comply with and maintain proper documentation of compensatory time records. A supervisor needs to authorize and verify any compensatory time taken. We also recommend CU comply with WV Code §18B-7-11 and obtain written authorization for employees' overtime worked to be converted into compensatory time in lieu of overtime pay.

Spending Unit's Response

Concord agrees with this finding. See pages 62 & 63.

Finding 19 CU Travel Pay for Employees Called into Work

During our test of Sick, Annual and Compensatory time we noted CU is paying one hour of travel time to employees at the Physical Plant if they are called to come to work on their day(s) off. We also found that employees were not filling out a travel expense settlement form, which is required to obtain reimbursement for travel related expenses. We were unable to locate any policy authorizing the travel pay.

Auditor's Recommendation

We recommend CU comply with WV HEPC Title 133 Series 29, 4.1.2 and establish a written policy approved by the Board of Governors regarding travel time for employees called in to work on their day(s) off.

Spending Unit's Response

Concord agrees with the findings in Finding 19. See page 64.

CONCORD UNIVERSITY
JULY 1, 2008 – JUNE 30, 2009

INTRODUCTION

POST AUDIT AUTHORITY

This is the report on the post audit of Concord University for the period of July 1, 2008 through June 30, 2009. The audit was conducted pursuant to Chapter 4, Article 2, as amended, of the West Virginia Code which requires the Legislative Auditor to “make post audits of the revenues and expenditures of the spending units of the state government, at least once every two years, if practicable, to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit, to ascertain facts and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the state and of the organization and functions of the state and its spending units.”

BACKGROUND

Concord University is located in Athens, West Virginia, which is a part of Mercer County in the southern part of the state. It is a nationally accredited coeducational institution founded in 1872 and originally named Concord State Normal School. The name was changed to Concord State Teachers College in 1931 and to Concord College in 1943. Since 2004, its name is Concord University.

Enrollment for the 2008 Fall Semester was 2,837 students. There are 279 full-time faculty and professional staff. Concord University is a 123-acre campus. There are five residence halls and a residential apartment building located on the campus. In addition to Concord University’s 25 buildings, recent construction includes University Point, incorporating an alumni center, museum and Appalachian and faith studies component. Also, Concord University offers classes at the Erma Byrd Higher Education Center in Beaver, WV, and maintains an office in that location.

Degrees offered include Bachelor of Science, Bachelor of Arts, Bachelor of Social Work, Master of Education, Regents Bachelor of Arts and Associate of Arts.

Majors offered include Accounting, Advertising & Graphic Design, Athletic Training, Biology, Business Administration, Computer Science, Pre-law, Management, Pre-med, Psychology, Recreation & Tourism Management, Social Work, Sociology and Teacher Education.

A listing of personnel of the University is on the following page.

CONCORD UNIVERSITY
JULY 1, 2008 – JUNE 30, 2009

ADMINISTRATIVE OFFICERS AND STAFF
AS OF JUNE 30, 2009

Dr. Gregory Aloia..... President

James Cannon Vice President for Business and Finance (July 2008 – April 2009)

Dr. Charles “Chuck” Becker..... Vice President for Business and Finance (April 2009 – Present)

Elizabeth “E.J.” Cahill Financial Reporting Officer/Controller

Elizabeth “Libby” Webb Financial Reporting Manager

Jeff Shumaker..... Director of Physical Plant

Richard Dillon Director of Housing and Residence Life

Chris Smallwood..... Bookstore Manager

Wayne Gunter..... Bookstore Supervisor

Steve Jarvis..... Bookstore Buyer

Greg Quick..... Athletic Director

CONCORD UNIVERSITY
JULY 1, 2008 – JUNE 30, 2009

AUDIT SCOPE

We have audited Concord University for the period of July 1, 2008 through June 30, 2009. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements. Our audit included expenditures accounted for in the CU's General Fund, Special Revenue Funds and Federal Fund. The audit was conducted in accordance with Generally Accepted Government Auditing Standards, except for the organizational independence impairment previously described in the Opinion section.

OBJECTIVES AND METHODOLOGIES

The objectives of our post audit were to audit the revenues and expenditures of the spending unit, to report any misapplication of state funds or erroneous, extravagant, or unlawful expenditures by any spending unit that we find, to ascertain facts, and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the state and of the organization, and functions of the state and its spending units. We were to determine whether expenditure and revenue transactions were related to the spending unit's programs, were reasonable, and were recorded properly in the accounting systems. Additionally, we were to examine the spending unit's records and internal control over transactions and to evaluate its compliance with applicable State laws, rules, and regulations.

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

We did not audit the spending unit's federal financial assistance programs for compliance with federal laws and regulations because the State of West Virginia engages an independent accounting firm to annually audit such programs administered by State agencies.

A non-statistical sampling approach was used. Our samples of transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. Transactions were selected for testing randomly and using professional judgment.

CU's written response to the significant deficiencies, material weaknesses, reportable compliance and other matters identified in our audit have not been subjected to the auditing procedures applied in the audit and, accordingly, we express no opinion on them.

CU's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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

CONCLUSIONS

This report includes findings regarding instances of noncompliance with applicable laws, rules or regulations. Other less significant findings that did not warrant inclusion in this report were communicated to CU.

EXIT CONFERENCE

We discussed this report with the management of Concord University on September 27, 2011. All findings and recommendations were reviewed and discussed. Management's response has been included at the end of each finding.

CONCORD UNIVERSITY
JULY 1, 2008 – JUNE 30, 2009

SUPPLEMENTAL INFORMATION
FUND LISTING

We have completed a post audit of Concord University. The examination covers the period of July 1, 2008 through June 30, 2009.

GENERAL REVENUE ACCOUNT

The following account was maintained by the Office of Concord University.

<u>Fund Number</u>	<u>Fund Name</u>
0357	General Administration Fund

SPECIAL REVENUE ACCOUNTS

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

<u>Fund Number</u>	<u>Fund Name</u>
4404	Payroll Clearing Fund
4405	Revenue Clearing Fund
4407	Tuition & Required E&G Fees Fund
4408	Auxiliary & Auxiliary Capital Fees Fund
4409	Education & General Capital Fees Fund
4387	Gifts, Grants & Donations (Non-Federal) Fund

Payroll Clearing Fund – Fund 4404

This fund is a special revenue fund used for the clearing of payroll.

Revenue Clearing Fund – Fund 4405

This fund is a special revenue fund used as a clearing fund for local collections and earned interest transferred to other line items.

Tuition & Required E & G Fees Fund – Fund 4407

This fund consists of tuition, fees and investment income to finance faculty promotion and salaries (governed by W. Va. Code §18B-10-1).

Auxiliary & Auxiliary Capital Fees Fund – Fund 4408

This fund comprises other collections, fees, licenses, and investment earnings to fund all auxiliary and auxiliary capital fees (governed by W. Va. Code §18B-10-1).

Education & General Capital Fees Fund – Fund 4409

This fund consists of tuition, fees and investment income to finance capital building and land improvements (governed by W. Va. Code §18B-10-1).

Gifts, Grants & Donations (Non-Federal) Fund 4387

This fund consists of gifts, grants and donations used as requested by the bequestor.

FEDERAL ACCOUNT

Concord University maintained the following account which was funded from Federal sources:

<u>Fund Number</u>	<u>Fund Name</u>
8768	Federal Grants/Contracts Fund

CONCORD UNIVERSITY
JULY 1, 2008 – JUNE 30, 2009

**MATERIAL WEAKNESSES, SIGNIFICANT DEFICIENCIES,
AND REPORTABLE COMPLIANCE AND OTHER MATTERS**

Finding 1 Unable to audit Bookstore Inventory

Condition: We were unable to audit CU’s Bookstore inventory for fiscal year 2009 due to the Bookstore not properly utilizing the point of sale [perpetual inventory] system. The CU Bookstore reported ending inventory for fiscal year 2009 totaled \$856,729 and merchandise for resale purchased for the Bookstore during fiscal year 2009 totaled approximately \$975,000. Fiscal Year 2009 cash receipts deposited for the CU Bookstore totaled \$1,231,095. The Bookstore Manager informed us that textbooks were entered into the point of sale system whenever he had time and staff to do so; however, all textbooks were not consistently entered into the system. No other items sold in the Bookstore were entered into the point of sale system.

Criteria: W. Va. Code §5A-8-9, as amended, states in part:

“The head of each agency shall:

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

Cause: The Bookstore Manager stated he did not fully utilize the point of sale system because of the lack of time and staff.

Effect: The risk of fraud and/or loss occurring and not being detected by CU management is greatly increased due to the lack of usage of the point of sale system.

Recommendation: We recommend the CU Bookstore comply with W. Va. Code 5A-8-9 by utilizing the point of sale system, maintaining an accurate record of all inventory and performing regular physical counts of inventory and reconciling it back to the point of sale system. Furthermore, any differences between the point of sale system and the fiscal year end on-hand inventory should be properly investigated by management and any issues corrected. We would like to note, the CU bookstore has been contracted out to a private vendor.

Spending Units

Response: *Concord University (Concord) accepts findings in Finding 1.*

Concord recognized the problems related to the Bookstore operation prior to the Legislative Auditor's arrival on campus. An internal audit was prepared by an outside accounting firm and subsequently the Concord administration proposed outsourcing the operations of the Bookstore.

After obtaining approval of University constituents, including the Student Government Association, a request for proposals was advertised and the operations were outsourced to the selected vendor.

Concord no longer operates the Bookstore and students of Concord are now provided options for obtaining their books that did not exist prior to this change. The Bookstore Operation is now in compliance with West Virginia Code Section 5A-8-9.

Finding 2**Lack of Internal Control over Student Payroll****Condition:**

We were unable to audit approximately \$1,043,603 in Work Study payroll monies due to an internal control weakness. We could not assure ourselves the total monies paid were for services actually rendered. During our audit period two students receiving State Work Study monies were able to defraud the CU payroll department in the amount of approximately \$12,700. One of the students had returned to his home for the summer, but had his friend submit a fraudulent time card for him to the CU payroll department, making it appear as though the student had continued working at CU during the summer months. The second student signed the supervisor's name to the time card and submitted it to the CU payroll department.

Criteria:

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

W. Va. Code §5A-8-9, 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 designated to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities..."

W. Va. Code §12-3-13 states, as amended, states in part:

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

Cause:

CU's policy required Work Study students to obtain supervisor signatures before submitting time cards to the CU payroll department, but required students to actually submit the time cards to the payroll department once their supervisor's signature was obtained. Additionally, the supervisor of the Work Study student had not informed the appropriate person of the dismissal of the student from his duties with the supervisor.

Effect:

Lack of proper internal control allowed students to arbitrarily turn in a time card when in actuality the student has not performed any of the work documented and in doing so CU paid out an expense for a service which had not been rendered.

Recommendation: We recommend CU comply with W. Va. Code §5A-8-9 to strengthen internal controls and ensure adequate and proper records are kept for the Work Study program.

In response to the finding, CU now requires students to submit their time cards to their supervisor. Once the supervisor approves the time card and attaches his or her signature, the supervisor, not the student, submits the time card to the appropriate person. Additionally, CU assigned the oversight of Work Study time cards to an individual separate from the payroll department. This is the person to whom the supervisor must submit approved student time cards.

CU is involved in legal proceedings against the student erroneously receiving state monies and the students are no longer enrolled at CU.

**Spending Units
Response:**

Concord accepts the findings in Finding 2.

An incident occurred during the fiscal year 2009 that resulted in fraudulent payments to a student who falsified time cards for hours worked who was not actually working for the grant program. The fraud was discovered and disclosed to the Legislative Auditors by Concord personnel. An internal audit was prepared by an outside accounting firm to disclose the internal control weaknesses within the student payroll processes and procedures.

The student in question was arrested, jailed and eventually made full restitution to Concord for the illegally obtained funds.

In order to prevent the misuse of funds through student payroll, the University has implemented the use of biometric time clocks for tracking of student hours worked. The clocks identify the student by using the images of one finger of the student to log the time the student arrives and leaves the workplace. It is the opinion of Concord that this change will eliminate the ability of students to manipulate the reporting system.

Finding 3

Non-Research and Development Reimbursements and Related Vendors

Condition:

Reimbursement for Employees

We noted CU had contracts with the Research and Development Corporation (R&D) to provide employees for the Athletic Department and the Post Office. The R&D provided employee services for CU and CU reimbursed the R&D the employees' salaries and benefits and an administrative fee. The reimbursement to R&D for employees' salaries and benefits and the administrative fees totaled \$106,656 for fiscal year 2009.

Other Non-Research and Development Reimbursements

We also noted R&D and Mountain Lion Club, Inc. were reimbursed by CU for expenditures paid on behalf of CU. These expenditures included travel, student activities, golf entry fees, hospitality and meals. Reimbursements for expenditures on behalf of CU to the R&D and the Mountain Lion Club, Inc. totaled \$1,200 and \$13,451, respectively, for fiscal year 2009. Of these amounts, \$4,867 of the reimbursements to the Mountain Lion Club lacked proper supporting documentation such as an invoice, travel expense account settlement form, etc. Documentation to support \$656 reimbursed to the Mountain Lion Club, Inc. reflects the reimbursement was for the football team to go to the movies.

Related Vendors

Also, \$1,407 reimbursed to the R&D was for temporary painters for the Athletic Department. The former Athletic Director (AD) requested the reimbursement and it appears the two students hired for the painting services were relatives of the AD. Agency personnel informed us that 1099s or W-2s were not issued to the two student workers.

Legal Opinion

A Legislative Services Attorney provided us with an opinion that included in part, "...Article 12, read as a whole, provides for contracting with research and development corporations for the **narrow purpose of facilitating research and development** of inventions, processes trademarks, copyrights or other intellectual property...and **to facilitate economic development projects resulting from the creation of employment relating to results of the research and development....**" (Emphasis Added)

Criteria:

W. Va. Code §18B-12-2, as amended, states in part:

"...(a) The Legislature finds and determines that the future economic development in the state will depend in part upon research developed at the state institutions of higher education, and enhanced research opportunities for state institutions of higher education will promote the general economic welfare of the citizens of the state. In order to enhance the competitive position of state institutions of higher education in the current environment for research

and development, expenditures for equipment and material for research projects must be handled in an expeditious fashion, and the acquisition and utilization of research grants can be simplified and expedited through the utilization of private corporations.

(b) The interest of the citizens of the state will be best met by agreements entered into and carried out by the governing boards and corporations to provide research assistance for state institutions of higher education. Therefore, in order to facilitate research and development grants and opportunities for state institutions of higher education, it is appropriate to authorize the governing boards to contract with private corporations organized for the purpose of providing such services to state institutions of higher education....”

Cause: The CU Interim Business Manager provided us a memo stating in part, “...There are certain situations in which the Research and Development Corporation will disburse payment to a vendor on behalf of CU and later seek reimbursement from the University. Examples of such situations include temporary payroll agreements and short notice invoices. The Corporation only intends to act as a conduit in order to expedite payments when necessary. Reimbursement requests are supported with the original payment information to ensure payments are being made for allowed purposes....”

Effect: Purchasing procedures or the hiring processes could have been circumvented. Also, without proper documentation to support all reimbursements being made to the R&D or Mountain Lion Club, Inc. the risk is increased that payment may be made for services that have not been rendered. In addition, the former Athletic Director who requested the money to pay the student workers for painting was a relative of the students performing the contractual work which could be a conflict of interest.

Recommendation: We recommend CU comply with W. Va. Code §18B-12-2, as amended, and discontinue the practices of contracting with the R&D for employees and allowing the R&D and Mountain Lion Club to make payments on behalf of CU and CU later reimbursing these entities. CU expenditures should be paid directly by CU and agreements between higher education institutions and the R&D should be to only provide research assistance to the institutions as specified by WV Code.

Spending Units

Response: *Concord generally agrees with the findings in Finding 3.*

Concord generally agrees with the findings in Finding 3 as they relate to reimbursement for employees, other non-research and development reimbursements, and related employees, and recognizes the limitations related to the types of arrangements that may be agreed to between the University and the Research and Development Corporation. The Research and Development Corporation and University will review all current arrangements and discontinue

those as necessary in order to ensure compliance with WV Code. It is Concord's intent to further review the legal opinion of the Legislative Services Attorney. The restrictive nature of the opinion regarding the scope of services limits the purpose as outlined in the Articles of Incorporation and mission of the Research and Development Corporation and the relationship with the University.

Finding 4 Weakness in Internal Control over Cash Collections

Condition: As a result of a weakness in internal control, we were unable to audit cash receipts, totaling approximately \$124,511. CU did not use pre-numbered receipts for various cash collection points.

Criteria: W. Va. Code §5A-8-9, as amended, states in part:

“The head of each agency shall:

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

Cause: CU was using booklets from their campus print shop. CU personnel were not aware it would be an issue using the previously stated booklets, since they wrote the numbers in themselves.

Effect: Without pre-numbered receipts theft or loss of revenues could occur and go unnoticed by CU management. A CU employee could accept payment and write a receipt for the customer, but destroy the original receipt page and keep the monies for personal gain. Since the pages do not have pre-numbered receipts, a missing page may not be noticed and therefore any theft of money or blank receipts would not be detected.

Recommendation: We recommend CU comply with W. Va. Code §5A-8-9 and use [pre-printed] pre-numbered receipt books.

In response to the finding, CU has already contacted the print shop and informed them to order receipt books that are pre-numbered.

Spending Units

Response: *Concord accepts the finding in Finding 4.*

Collections for the English Language Training course, a non-credit course, included in this finding amounted to \$69,418 of the total \$124,511 in funds not using pre-numbered receipts. These fees will be collected by the cashier's office in the future.

All other locations have been instructed to use pre-numbered receipt books rather than those provided by the Campus Print Shop.

Finding 5

Significant Weakness in Use and Safeguarding of State Property

Condition:

Lack of Written Policy Relating to Use of State Owned Vehicles

CU did not have any written policies or procedures concerning the use of state owned vehicles. We reviewed a sixth incident report from the CU Public Safety Department concerning damage to a state vehicle. Upon inquiry we discovered the damage was due to a deer hitting the side of the state vehicle causing approximately \$2,652 in damages. We noted several issues involving the use of the state vehicle:

- The state employee was not driving the vehicle at the time of the accident; her 20 year old son was driving while she was a passenger.
- In addition to her son driving the vehicle, there were three other students in the car at the time of the accident.
- CU paid the \$1,000 deductible on the car and the National Union Fire Insurance Co. of Pittsburg paid the remaining \$1,652 with the insured being the State of West Virginia, although the state employee willingly let an unauthorized person drive the vehicle and violated several policies pertaining to state vehicles. The employee was verbally reprimanded by multiple supervisors for the misuse of the state vehicle. Any further action could not be taken due to the fact **a policy was not implemented at the time of the accident.**

Fleet Vehicles Not Properly Safeguarded

We also noted the keys to CU Fleet vehicles are not kept in a secure location. The keys to all fleet vehicles are kept in a lock box located outside the bay doors at the CU Physical Plant; however, every employee that uses a fleet vehicle is given the combination to the lock box. The combination has not been changed in over nine years; therefore, employees that have resigned, retired or been terminated and have used a fleet vehicle still have the combination to the lock box.

Criteria:

WV HEPC Title 133 Series 29, 5.2.1.1 states:

“State Owned Vehicles: The availability and use of a state owned vehicle will be determined by the institution’s policies and procedures.”

Cause:

We spoke with several different CU employees concerning the misuse of the state vehicle. We noted there is not an internal policy which has been approved concerning the proper use of state vehicles. The employee stated she allowed her son to drive the state car because it was foggy and the previous policy for state vehicles had allowed students to drive. We were also informed that new policies concerning the usage of state vehicles was not communicated and distributed to all CU employees.

The Purchasing Assistant II stated the lock box for fleet vehicles was already in use when she started working at CU and, to her knowledge; the procedure for the combination has never been changed. The Director of the Physical Plant is no longer employed at CU to obtain a response from him.

Effect: Lack of policies and procedures, as well as proper management oversight concerning fleet management could result in the theft or unauthorized use of state vehicles.

Recommendation: Also, we recommend an internal policy governing the use of state vehicles be instituted per HEPC Title 133 Series 29, 5.2.1.1 and, in our opinion, the policy be summarized to be read and signed by all CU employees before a state vehicle may be driven by them. In addition, we recommend the keys to fleet vehicles should be accessible only to the employee requesting the vehicle when he/she is present and can be informed of proper procedures concerning the vehicle. The employee should sign for and assume responsibility for the vehicle.

Spending Units

Response: *Concord accepts the findings in Finding 5.*

a.) The vehicles owned by Concord are used by personnel when needed. The keys are kept in a lock box and many of the employees have the combination to the lock. Providing the combination to employees using these vehicles is necessary due to the inability of the Physical Plant personnel to have someone in the Plant building on a twenty-four hour basis. When Physical plant employees are present, they have charge of the lock box.

The University will develop a procedure to handle the distribution of the keys when Concord employees are not at work in the Physical Plant. The combination of the lock box will be changed.

b.) Use of State Owned Vehicle by individuals other than Concord employees. Concord personnel will prepare policies and procedures relating to the use of state owned vehicles to the University's Board of Governors for approval. The policy will contain provisions restricting the use of state owned vehicles by personnel other than an approved employee driver.

Finding 6 Weakness in Internal Control over Leave & Work Hours

Condition: During our audit of Sick, Annual and Compensatory leave, we tested 13 of 155 employees and noted that one employee had instances of leave being taken before it had been accrued, as well as not working the specified amount of hours according to the WV-11 (37.5 hours). The employee had one instance of taking Annual Leave before it was earned and two instances of taking Sick Leave before it was earned. The same employee also failed to work (or take adequate leave) for 26 out of 52 work weeks (50% of the time).

Criteria: W. Va. Code §12-3-13, states:

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

WV HEPC Title 133 Series 38, 2.3 states:

“Annual and sick leave may not be taken before it is accrued. If an employee works less than a full month, annual and sick leave shall be accumulated on a pro rata basis.”

WV HEPC Title 133 Series 8, 6.1 states:

“The workweek is a regularly recurring period of one hundred sixty-eight (168) hours in the form of seven (7) consecutive twenty-four (24) hour periods. It begins at 12:01 a.m. on Sunday and ends at 12 midnight the following Saturday. The institutional president or the president's designee may establish a workweek different from this provided that record keeping requirements are met as set forth in relevant law. A work schedule of thirty-seven and one-half (37 1/2) hours will be established within a workweek.”

Cause: The Human Resource Department stated they sometimes receive the leave requests after the leave has been taken.

The Human Resource Department and the Payroll Department stated they were not aware the employee was not working her required 37.5 hours. However it does appear the employee on some weeks is working over the 37.5 hours and in their opinion it appears she is attempting to make up for the weeks which she is short hours.

Effect: When an employee takes leave before it has accrued or does not work the full 37.5 hours per week and take leave to compensate the time not worked, they are effectively receiving compensation before services have been rendered.

Recommendation: We recommend CU comply with WV Code §12-3-13, WV HEPC Title 133 Series 38, 2.3 and WV HEPC Title 133 Series 8, 6.1 to ensure employee’s time sheets are being properly reviewed for accuracy, employees work their required

amount of hours to receive their allotted compensation and leave is not taken before it has been accrued.

Spending Units

Response:

In general, Concord agrees with this finding.

The employee referenced in this finding has historically been given an accommodation that causes her to work outside Concord core hours, creating a situation where she and her supervisor have less interaction. Moreover, she was not submitting timely leave forms for leave taken and HR was not aware that she was taking that leave. Due to the issues surrounding her work hours and leave, Concord through its HR and Payroll Offices, have warned the employee through a written letter pursuant to Concord's progressive disciplinary process. The employee has been reprimanded that she is required to submit accurate leave forms and time sheets on a timely basis. Moreover, Concord moved the employee to be paid two weeks in arrears so that it can better monitor her time sheets in relation to her pay. Concord and the employee have entered into an agreement whereby she is repaying Concord for monies she received for time she did not work. Finally, it is my understanding that the Payroll Office is checking all timesheets to make sure that employees have either worked 37.5 hours a week or the employee has sufficient leave for the time off.

Finding 7

Missing Documentation and Inaccurate Leave

Condition:

During our audit of Sick, Annual and Compensatory leave and work hours, we tested 13 of 155 employees and noted instances of missing documentation and/or inaccurate leave amounts for 5 of the 13 tested. These instances are as follows:

<u>Employee</u>	<u>Missing Documentation</u>
Employee #1	Time sheets for June 2009.
Employee #2	Annual leave for 4/7/09 was on the time sheet but not in the leave system. Human Resources contacted the employee, confirmed the time was taken, and corrected the leave system.
Employee #3	Annual leave for 3/3/09 and 3/16/09 were not showing in the leave system, although there were leave request forms in her file. Human Resources confirmed with the employee the leave was taken. They found her leave request forms in her file for these days. The HR Department adjusted her annual leave and deducted the days from her balance.
Employee #4	Time sheet and leave system do not match for the following days: <ul style="list-style-type: none">• 9/26/08 Annual leave-1 day• 3/20/09 Sick Leave-1 day• 8/18/09 Sick leave-1 day
Employee #5	One employee recorded sick hours on the time sheet but did not request the leave in the leave system.

Criteria:

W. Va. Code §5A-8-9 states in part:

“The head of each agency shall:

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

WV HEPC Title 133 Series 38, 2.11 states:

“Each institution shall keep on file a record showing current leave status of each employee.”

The Fair Labor Standards Act states, in part:

“Every employer covered by the Fair Labor Standards Act (FLSA) must keep certain records for each covered, nonexempt worker. Hours worked each day and total hours worked each workweek;”

Cause: The Payroll Department stated they were not able to determine a reason for the missing time sheets except for human error. They were going to try and contact the employee to see if she had made a copy of the time sheets for her own records, however the employee is no longer employed by CU.

The Human Resource Department stated the actual reason for the differences between the leave taken on the time sheets and the leave deducted from the leave system would be difficult to determine since there is not a system in place to cross reference the time sheets with the leave system. One employee stated she did not turn in a request for her sick hours due to the fact the following week she worked over, so during the two week time frame she worked over her 75 hours. They believe the time was keyed and must not have been saved in the leave system before they exited out of the screen. The Human Resource Department suggested additional training for the supervisors may be needed to help with the tracking of time sheets to the leave system.

Effect: Not keeping an accurate leave system further increases the risk of an employee abusing the system, as well as allows the employee to be paid for time not earned.

Recommendation: We recommend CU strengthen internal controls and comply with WV Code §5A-8-9 and WV HEPC Title 133 Series 38, 2.11 by maintaining accurate time keeping records and ensure all sick, annual and compensatory leave be properly subtracted from the leave system. HR is trying to determine a way to better track the employee’s time sheet to the leave system and are going to provide training to the supervisors to show them what to verify on the time sheets. If possible, the computer center may be able to program into Banner a field where the supervisor must approve and verify leave is available before it can be taken.

Spending Units

Response: *Concord agrees with findings in Finding 7.*

As to the findings in Finding 6, HR corrected the minor issues involving three days of leave taken but not entered concerning employees #3 and #4. Additionally, CU is considering methods and systems (including computerized systems) to better cross-check the time submittals (that are currently submitted to the Payroll Office) and the leave submittals (that are currently submitted to the Human Resources Office). We believe that these changes will resolve the other issue of employees turning in timesheets, but failing to submit a

corresponding leave form. We plan to implement changes to the timesheet and leave submittal system within this academic year.

Finding 8

Lack of a Written Contract

Condition:

During our field work at CU, we noted CU did not have a written contract agreement with the CU Research and Development Corporation (R&D), a non-profit organization. The West Virginia Code authorizes governing boards to enter into agreements with private corporations in order to facilitate research and development grants and opportunities for state institutions of higher education. However, the agreement between CU and the R&D was not documented by a written contract.

Criteria:

W. Va. Code §18B-12-2 states in part:

“...(b) The interest of the citizens of the state will be best met by agreements entered into and carried out by the governing boards and corporations to provide research assistance for state institutions of higher education. Therefore, in order to facilitate research and development grants and opportunities for state institutions of higher education, it is appropriate to authorize the governing boards to contract with private corporations organized for the purpose of providing such services to state institutions of higher education.”

W.Va. Code §18B-12-3 states in part:

“Boards authorized to contract with corporations; characteristics of corporations. Each governing board for a state institution of higher education is hereby authorized to enter into agreements and any other contractual relationships with one or more corporations...” **(Emphasis Added)**

W.Va. Code §18B-12-4 states in part:

“(a)...each governing board is hereby authorized to enter into an agreement with a private corporation, which agreement shall be for the benefit of the state institution of higher education...” **(Emphasis Added)**

Cause:

The current director of R&D at CU stated he was aware of a contract between CU and R&D, but he was not able to produce the written contract. However, he has begun drafting an agreement in order to establish a written contract between CU and R&D.

Effect:

A written contract ensures both parties fully understand the terms agreed upon and by having a legally enforceable contract this benefits the State of West Virginia by ensuring state monies are protected. Without a written contract, there may be misunderstandings with either party concerning the agreement, putting state monies at risk of being misused.

Recommendation:

We recommend CU comply with W. Va. Code §18B-12-3, §18B-12-2, and §18B-12-4 and enter into a written contract agreement with R&D.

Spending Units

Response:

Concord agrees with the findings in Finding 8.

Current employees have not been able to locate the original agreement between Concord University and the Research & Development Corporation, Inc., a component unit of the University. A Memorandum of Understanding has been developed and will be submitted by the Executive Director of the Research & Development Corporation, for approval by both entities. A copy of the memorandum is attached for review.

Finding 9

Improper Receiving Reports & Lack of Presidential Approval

Condition:

We noted the CU Physical Plant, which is responsible for receiving all commodities and goods, with the exception of the items purchased by the bookstore, was not completing receiving reports in accordance with W. Va. Code.

With the exception of items received for the Maintenance Department, the CU Physical Plant did not open boxes to determine quantity and quality of items received. Also, the receiving report [daily receiving log] used by the Physical Plant for all items received, except for items received for the Maintenance Department, lacked a description and quantity of commodities received; whether commodities are acceptable for payment; and a signed acknowledgment of receipt by the employees receiving the commodities. We were informed no other department completes a separate receiving report once the Physical Plant delivers the shipped items to the recipient.

We also noted two transactions totaling \$18,955 had not been approved by the CU President.

Criteria:

W. Va. Code §5A-8-9 states in part:

“The head of each agency shall:...

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

W. Va. Code §12-3-10(f) states in part:

“...A receiving report shall be submitted to the state auditor verifying the receipt of commodities by a state spending unit. The receiving report shall be an internally-generated document, either written or prepared using electronic media, that identifies commodities received. Commodities as defined in this section include, but are not limited to, the following: Materials, equipment, supplies, printing and automated data processing hardware and software.

The state officer or employee acting as head of each spending unit is responsible for the completion and timely submission of the receiving reports, which shall be prepared at the original point of receipt of the commodities at the spending unit by employees designated by the head of the spending unit to receive the commodities and prepare the receiving reports. The receiving reports shall include, but not be limited to, the following information: Vendor name, description and quantity of commodities received, date commodities are received, whether commodities are acceptable for payment, and a signed

acknowledgment of receipt by the employees receiving the commodities. The receiving reports required by this section shall be prepared within twenty-four hours of the receipt of the commodities.

The head of a spending unit may not issue a requisition on the state Auditor in payment of a claim for commodities received by the spending unit unless the receiving report required by this section accompanies the claim for payment. The spending unit is liable for a debt improperly incurred or for a payment improperly made if the receiving report was not filed with the state Auditor as set forth in this section....”

Legislative Rule Title 155 Series 1 part 5, states in part:

“...5.1. Time of Preparation. All receiving reports shall be prepared within 24 hours after the receipt of the commodities.

5.2. Form. A receiving report shall be in a format approved by the Auditor.

5.3. Itemization. All receiving reports submitted to the Auditor shall contain the following:

5.3.a. An item description for each type of commodity received along with the quantity of each type received in sufficient detail that is in agreement with the vendor invoice and/or contract; and

5.3.b. The date the commodities were received. The actual date on which the commodities were received by the authorized individual.

5.4. Vendor information. All receiving reports submitted to the Auditor shall have the same vendor name as that contained on the invoice and WVFIMS cover sheet. If the vendor name on the receiving report is not the same, then the receiving report shall indicate that the vendor name on the receiving report is that of a division, branch, subsidiary, or is a doing business as (DBA) name of the vendor name contained on the invoice and cover sheet.

5.5. Signed Acknowledgment. All receiving reports shall contain the original signature of the authorized individual designated to receive commodities and prepare receiving reports. This signature acknowledges both receipt and the fact that the commodities received are acceptable for payment. The Signed Acknowledgement must also include the authorized receiver’s printed name and user id.

5.6. Receiving Report certification. All requisitions to the Auditor for payment of commodities that do not include a receiving report shall be certified by the Chief Financial Officer, or Department or Agency Administrator, or as determined by the Auditor in emergency situations.

5.7. Acceptable forms of receiving reports for commodities procured using the card are contained in the State Purchasing Card Policies and Procedures...”

An internal memo regarding internal controls originally issued on August 17, 2006, by the CFO, and revised on February 19, 2009, by the Interim CFO stated the following in part,

“To insure the flow of purchase and payment processes, and to maintain compliance with required internal controls, purchasing limits and levels of approval, please be aware of the following:

1. Purchase orders including blanket purchase orders (POs that cover multiple purchases of the same product) and P-Card purchases require the approval of the Vice President for Finance if over \$1,000. In addition, purchase orders over \$5,000 require the approval of the President...”

Cause: The Financial Reporting Officer/Controller informed us it would be too time-consuming for the Physical Plant employees to open the boxes. Also, the Interim Purchasing Agent stated the Auditor’s Office accepts a copy of the purchase order as the receiving report and he wasn’t aware that the receiving log was not detailed enough.

The CU Interim Purchasing Agent (IPA), provided a written statement explaining the prior Chief Procurement Officer’s last work day was March 5, 2009. However, the current IPA was not assigned the duties of Interim Purchasing Agent until April 1, 2009. He explained the Business Office staff filled in during the time of transition between the time the old PA left and the new IPA began his position and the requisition and purchase order in question were written during the time of transition. The current Interim Purchasing Agent explained the signature of the CU President was not obtained due to possible unfamiliarity with the University’s policy of requiring the President’s approval for purchases in excess of \$5,000 and involved no intent to circumvent the procedures.

Effect: Without opening boxes to ensure the quality and quantity of items and without proper receiving reports being completed, fraud may occur and go unnoticed by management. Vendors could bill for items not received by CU and management may not be able to prove the items were not received if the receiving function is not properly executed.

Recommendation: We recommend CU comply with W. Va. Code §12-3-10f and Legislative Rule Title 155 Series 1 and open all items when received to verify items ordered were actually received and prepare proper receiving reports for all items received in the CU Physical Plant.

Spending Units

Response: *Concord accepts the findings in Finding 9.*

The Purchasing Department sends a copy of issued Purchase Orders to the Physical Plant to allow for the proper tracking of commodities and goods purchased by the University. Pcard purchases, however, do not require the issuance of a purchase order, and therefore, preparation of receiving reports may be bypassed by those employees purchasing the commodities and good by Pcard.

Concord has prepared the necessary forms and instructions to be placed on the University's main website that will require employees to prepare an authorization to purchase form when buying merchandise or services through the use of Pcards. The completed forms will be automatically sent to the receiving department and the accounts payable department to allow the receiving department to complete the required receiving documents for commodities and goods purchased.

The two transactions that did not have Presidential approval did have the approval of the Chief Financial Officer. There are times when the President is out-of-town or unavailable to approve all invoices over \$5,000. We believe the failure to obtain his signature is an anomaly and should not be considered a violation or disregard of University policy.

Finding 10

Aramark Contract

Condition:

During our test CU's food service contract and Commission Revenue with Aramark we noted the following exceptions:

- The food service vendor contract CU has with Aramark is not being monitored to ensure the vendor is complying with the terms and conditions of the contract according to the Interim Purchasing Agent.
- Copies of the Mercer County Health Inspections reports are not given to the CU staff.
- Two of the Aramark employees had food handler cards which have expired and we were unable to locate a current card showing they had attended the class and were authorized to handle food.
- CU did not receive a detailed record of food service sales, the respective commission rate and the respective commission amounts and; therefore, did not recalculate the commission amounts for accuracy.

Criteria:

W. Va. Code §5A-8-9, as amended, states in part:

"The head of each agency shall:...

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

The University's Food Service Proposal 5.18, states in part,

"The following minimum food specifications are established and shall be maintained:

Beef and Veal, USDA Choice
Ground Beef will not exceed 25% fat content.
Pork and Lamb, USDA. "1"
Poultry, USDA Grade "A"
Fish, USDA Grade A
Eggs and Dairy Products, USDA Grade "A" Frozen Foods,
USDA Grade "A" Fancy Fresh Produce, USDA "1" Quality
Milk and Milk products - USDA Grade "A", Vitamin D
Enriched
Canned Goods, USDA Grade "A", or US Fancy

The University reserves the right to periodically review all invoices to ensure these specifications are being met."

Cause: Agency personnel informed us the commission revenue was not recalculated for accuracy because the Business Office only receives the commission check with a pre-printed stub which only contains the basic information.

CU was unaware that no one was actively monitoring the food service vendor contract. The Interim Purchasing Agent has already compiled a memo stating possible issues to address on random audits of Aramark. The memo is currently awaiting approval.

Effect: Not recalculating the commission revenue for accuracy could result in a loss of commission revenue [income] for the University.

Failure to monitor contracts entered into by state agencies can result in the terms and conditions originally agreed upon in the contract to not be followed; however, if no one is monitoring the contract these issues would not be discovered.

CU should be made aware of all health inspections conducted on their campus in case corrective action needs to be performed.

Only persons authorized by the Health Department to handle food should be serving food to the students and staff. Expired food handler cards result in unauthorized employees handling and serving food.

Recommendation: We recommend CU comply with W. Va. Code §5A-8-9 and monitor the food vendor contract by requesting a detailed record of food service sales, the respective commission rate and the respective commission amounts from Aramark. Also, we recommend CU recalculate the commission amounts [by footing and cross-footing the record] to ensure CU is paid the proper commission. Additionally, we recommend CU comply with W. Va. Code §5A-8-9 by monitoring the contracts to ensure the specifications and requirements outlined in the contract are being followed by the vendor. We also recommend CU request copies of all future Health Department inspections to verify Aramark is complying with all state Health Department codes and are promptly correcting any areas of noncompliance.

Spending Units

Response: *Concord accepts the findings in Finding 10.*

Based on discussions with the auditor's prior to the issuance of the report, Concord has contracted with an outside accounting firm to review all aspects of the contract and to assist in the design of proper internal control and financial monitoring requirements of the contract. Once completed, Concord personnel will implement and follow the required procedures for monitoring the Aramark Contract.

Finding 11

Lack of Internal Policy for Travel

Condition:

During fieldwork, we noted there were no written policies and procedures in place during our audit period to govern the meal reimbursement for student athletes. The former Athletic Director informed us student athletes are usually allowed a maximum of \$20 per day for meals, but this amount may vary depending on the meal and the sport. The student athletes are either given the money and sign for it when received or the meals are placed on the State purchasing card. Additionally, there was no procedure in place to ensure that CU Athletic travel expenditures placed on the purchasing card were not also paid from the Mountain Lion Club, Inc. or the CU Foundation accounts; or to be confident students were not being reimbursed multiple times for the same travel.

During our audit period CU did not have an internal policy to specify a time frame in which travel reimbursement forms must be submitted to CU personnel for processing.

Criteria:

W. Va. Code §5A-8-9, as amended, states in part:

“The head of each agency shall:

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

WV Higher Education Policy Commission Title 133, Series 29, Section 4.1.2, states in part:

“...Employees are responsible for submitting a travel expense account settlement form, with all required receipts and attachments, to her or his institution **within a reasonable amount of time after the last day of travel, as defined by the institution**, in order to qualify for reimbursement of expenses or for payment....” **(Emphasis Added).**

Cause:

The Academic Program Associate informed us the policies and procedures in relation to athletic travel and expenses are a verbal agreement and have not been put into writing. Also, she had not thought about a procedure being needed concerning ensuring expenditures placed on the purchasing card were not also paid from the Mountain Lion Club, Inc. or the CU Foundation accounts.

The Interim Payroll Accountant stated there was no set time frame in CU internal policies for the submission of travel forms.

Effect:

Due to the fact the policies and procedures are not in writing for the athletic department in relation to travel and related expenses, individuals may exceed the daily limit allowed, may not utilize proper purchasing procedures and/or this could lead to an unintentional or intentional misuse of state funds. Additionally, the possibility exists that instances of “double dipping” may have occurred where moneys for the same expenses were placed on CU’s purchasing cards and paid from the Mountain Lion Club, Inc. or the CU Foundation accounts.

Failure to establish a set time frame for travel to be submitted may result in the University’s inability to accurately budget the travel funds used by the institution and travel payments could be paid from the incorrect year’s funds.

Recommendation:

We recommend CU comply with W. Va. Code §5A-8-9 and prepare written policies and procedures in relation to student athletic meal reimbursement. Also, we recommend CU put a procedure in place to ensure travel expenditures placed on the purchasing cards are not also paid from the Mountain Lion Club, Inc. or the CU Foundation accounts or any other source. Additionally, we recommend CU comply with HEPC Title 133, Series 29 by establishing a policy stating a time frame in which travel should be submitted by the employee for reimbursement after the last day of travel.

Spending Units**Response:**

Concord accepts the findings in Finding 11.

Concord’s Athletic Department will work with Concord University to implement a policy and procedure to track travel expenditures. This policy will ensure the areas from which all athletic travel expenditures will be paid and student athlete meal reimbursement limitations and requirements. The policy will also include a time frame in which travel should be submitted by the employee for reimbursement. The policy and procedures will comply with WV Code 5A-8-9 HEPC Title 133, Series 29.

Finding 12**Improper Payment and Missing Documentation in Payroll Transactions****Condition:**

During our audit of payroll transactions, we noted instances of improper payment and missing documentation.

Of 5,963 payroll transactions, we tested 64 noted 14 exceptions:

- We noted five instances where the federal income taxes that should have been withheld did not match the EPICS payroll system totaling \$497.
- We noted two transactions where disability insurance was deducted; however, agency personnel were unable to provide us with a disability insurance form. We also noted the same employee was not paid for two hours of overtime totaling \$50.
- Two employees' state withholding information did not match the EPICs system for a total of \$195 difference.
- Two employees worked hours in excess of 37.5 but we were unable to determine if they received the correct compensatory time due to the fact both employees tracked their own compensatory time without any supervisory authorization or tracking of the time.
- Several errors occurred in calculating overtime for one employee resulting in a \$74 overpayment to the employee.

Criteria:

W. Va. Code §5A-8-9 states in part:

"The head of each agency shall:...

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

W.Va. Code §21-5C-5 states in part:

"Every employer subject to the provisions of this article shall make or cause to be made, and shall keep and preserve at his place of business for a period of two years, a written record or records of the name and address of each of his employees as herein defined, his rate of pay, hours of employment, payroll deductions, and amount paid him for each pay period."

W. Va. Code §18B-7-11 states:

(a) Notwithstanding any other provision of this code to the contrary, employees of the governing boards may receive in lieu of overtime compensation, compensatory time off at a rate not less than one and one-half hours for each hour of employment. Said employees may receive compensatory time only

pursuant to written agreements arrived at between the employer and the employee before the performance of the work, and recorded in the employer's record of hours worked, and if the employee has not accrued compensatory time in excess of the limits prescribed herein. Any written agreement may be modified at the request of either the employer or employee, but under no circumstances shall changes in the agreement deny an employee compensatory time heretofore acquired.

(b) An employee may accrue up to four hundred eighty hours of compensatory time if the employee's work is a public safety activity, an emergency response activity or a seasonal activity. An employee engaged in other work for the governing board may accrue up to two hundred forty hours of compensatory time. Any such employee who has accrued four hundred eighty or two hundred forty hours of compensatory time, as the case may be, shall, for additional overtime hours of work, be paid overtime compensation. If compensation is paid to an employee for accrued compensatory time off, such compensation shall be paid at the regular rate earned by the employee at the time the employee received such payment.

Title 29, Code of Federal Regulations, Part 778.101, states in part:

"...As a general standard, section 7(a) of the Act provides 40 hours as the maximum number that an employee subject to its provisions may work for an employer in any workweek without receiving additional compensation at not less than the statutory rate for overtime. Hours worked in excess of the statutory maximum in any workweek are overtime hours under the statute; a workweek no longer than the prescribed maximum is a non overtime workweek under the Act, to which the pay requirements of section 6 (minimum wage and equal pay) but not those of section 7(a) are applicable...."

Title 29, Code of Regulations, Part 778.107, states in part:

"...The general overtime pay standard in section 7(a) requires that overtime must be compensated at a rate not less than one and one-half times the regular rate at which the employee is actually employed. The regular rate of pay at which the employee is employed may in no event be less than the statutory minimum...."

Higher Education Policy Commission Title 133, Series 8, 5.2 states:

"When a full-time or part-time classified non-exempt employee is required to work on any designated board or institution holiday, that employee at his/her option shall receive regular pay for that holiday plus substitute time off or additional pay at the rate of one and one-half (1 1/2) times the number of hours actually worked. The time off must be used within a six-month period following the holiday."

Higher Education Policy Commission Title 133, Series 8, 6.1 states:

The workweek is a regularly recurring period of one hundred sixty-eight (168) hours in the form of seven (7) consecutive twenty-four (24) hour periods. It begins at 12:01 a.m. on Sunday and ends at 12 midnight the following Saturday. The institutional president or the president's designee may establish a workweek different from this provided that record keeping requirements are met as set forth in relevant law. A work schedule of thirty-seven and one-half (37 1/2) hours will be established within a workweek.

Higher Education Policy Commission Title 133, Series 8, 4.1 states:

“Base salary is calculated on a thirty-seven and one-half (37 1/2) hour work week.”

Cause:

The CU payroll department informed us there was probably an error keying in the federal withholding information on the employees who had the incorrect federal taxes withheld.

CU personnel staff informed us the employee’s disability form was misplaced or lost.

Agency personnel were unable to explain why the employee was not paid the two hours of overtime. Agency personnel explained that the employee in charge of tracking the overtime in the Public Safety Department is no longer employed by the University.

The CU Payroll Department was unaware the compensatory/flex time was not being recorded and verified by the supervisors of the departments.

The CU Payroll Department stated the incorrect payment of the employee’s overtime was just attributed to human error. The errors resulted in the employee being overpaid \$74.34.

The CU Payroll Department stated they were unaware a permission to work overtime form had to be completed prior to the overtime hours being worked.

Effect:

Inaccurate amounts withheld from employees’ checks may result in too much or not enough tax being paid on their behalf to the federal or state government.

Failure to have a supervisor record and verify compensatory time may result in inaccurate accrual of time to be taken. The employee only recording the time could result in hours being used that are not due the employee since no one is tracking the accuracy of the information. Ultimately if time is taken which is not due the employee, it results in misuse of state funds.

Overtime not being approved prior to being worked can result in unnecessary hours being paid due to the fact work performed as overtime hours may have been completed during regular work hours.

Recommendation:

We recommend CU comply with WV Code §5A-8-9 and WV Code §21-5C-5 and accurately deduct the proper amount for federal and state taxes and maintain paperwork showing authorization for all deductions taken from the employees. We recommend CU comply with Title 29, Code of Regulations, Part 778.101 and Part 778.107, WV HEPC Title 133 Series 8, 5.2 and compensate either through overtime pay or compensatory time all employees for any services in excess of 40 hours at a pay rate of time and a half of their regular pay and properly pay employees which work on a holiday. Any overtime hours worked should be approved by a supervisor to ensure the extra hours are necessary. We also recommend employees work the specified 37.5 hours in their contract, either through actual hours worked or use sick or annual leave to make up the time in order to maintain their base salary in accordance with HEPC Title 133, Series 8, 4.1 and 6.1.

Therefore justification for working the overtime hours should be completed and approved by a supervisor, unless during an emergency situation, prior to being worked. There should be a written agreement between the employee and the Institution stating they would rather be paid through compensatory time instead of overtime pay. This agreement ensures the employees are being paid in the proper manner according to their requests.

Spending Units

Response:

Concord agrees with the findings in Finding 12.

1. *Those employees with incorrect information in EPICS were corrected upon notification by the Legislative Auditors of the errors.*
2. *The employee that was not paid for 2.5 hours of overtime will be paid or have the hours added to his comp time based on his instructions.*
3. *The employee with an overpayment of \$74 is acknowledged and attempts to prevent these types of errors will be discussed with payroll personnel.*
4. *The University is in the process of developing a policy for the accumulation and payment of compensatory time. See Finding 22.*

We believe the discoveries are the result of errors and not the result of a failure to follow proper procedures for the payment of employees. Given the number of employees and the number of transactions and records that are required, it is our opinion this finding, with the exception of the finding for compensatory time, is an anomaly and not the normal processes performed by the payroll department.

Finding 13

Lack of Proper Documentation

Condition:

We noted instances where transactions lacked the proper supporting documentation.

- Of a population of 112 Contractual and Professional expenditure transactions we noted two transactions, out of the 29 tested totaling \$17,115 where CU did not receive detailed invoices from the West Virginia Intercollegiate Athletic Conference (WVIAC).
- Of a population of 2,885 purchasing card transactions, CU was unable to provide us with proper supporting documentation for five transactions, totaling \$1,745, of the 35 transactions tested. CU was unable to provide us with: 1) an itemized receipt for a purchase totaling \$18 which was paid to SCI Stamps; 2) a receipt or log sheet for a purchase of \$431 to Allegiant; 3) a receipt for lodging at Canaan Valley for \$176; 4) a FIMS coversheet, p-card statement, and an itemized receipt or log sheet for \$60 paid to State Electric Supply; and 5) a FIMS coversheet, a p-card statement, and an itemized receipt or log sheet for \$1,060 paid to Simplex Grinnell Web.

Criteria:

W. Va. Code §5A-8-9 states in part:

“The head of each agency shall:

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

W. Va. Code **§12-3-9, states in part:**

“Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the state treasury, shall, before any such money is paid out of the state treasury, certify to the auditor that the money for which such requisition is made is needed for present use for the purposes for which it was appropriated; and the auditor shall not issue his warrant to pay any money out of the state treasury unless he is satisfied that the same is needed for present use for such purposes.”

West Virginia Legislative Rule Title 155, Series 1, Section 3, states in part,

“...3.1 Itemization. All invoices submitted to the Auditor for payment shall contain the following:

3.1.a. An itemized description indicating the type of materials, supplies or service provided;...

The West Virginia Higher Education Purchasing Procedures Manual states the following, in part,

“...11.2.4 In order to receive timely payment, vendors have the obligation and responsibility to present invoices that are timely and accurate to the accounts payable office or other office identified in the purchase order. Refer to the State Auditor’s legislative rule, Title 155, Series 1, Standards for Requisitions for Payment Issued by State Officers on the Auditor. An original invoice is needed. A facsimile or electronically transmitted invoice may be accepted. The invoice should also contain identical information as shown on the purchase order or contract, such as:

- a. Vendor’s name and address;
- b. Federal Employer’s Identification Number (FEIN);
- c. Purchase order number;
- d. The invoice should be mailed to the proper address at the institution;
- e. Item description and number;
- f. Quantity, unit of measure and/or unit price, and extension of each item;
- g. Invoice total;
- h. Dates of order and shipment;
- i. Back orders, if any;
- j. Cancellations, if any;
- k. Credit memo, if the credit is not part of the invoice;
- l. Invoices for services rendered must include the dates of service and be prepared according to the payment terms in the contract or purchase order; and
- m. Receiving report (for commodities)...”

State Purchasing Card Program, Policies and Procedures, state in part,

“...**Section 7.0**...Cardholders are responsible for the review, acknowledgement or dispute of all transactions that appear on their P-Card statement. Documentation must be obtained for each transaction placed on the P-Card and must be available upon request by the State Auditor’s Office P-Card Division. Documentation may include itemized receipts, log sheets (manual or electronic), individual statements, or any other documentation required by applicable laws, rules and regulations, P-Card Policies and Procedures, and other governing instruments....

7.1...Except where otherwise exempted by statute or rule, an itemized receipt must be obtained for each transaction placed on the P-Card. The receipt must be legible, itemized (reflecting the goods or services purchased), and contain the vendor name, date of purchase and price of items. Receipt documentation may be paper or electronic and shall be retained by the Spending Unit. A receipt

description, which only states “Miscellaneous”, or “Merchandise”, or only includes a vendor’s stock or item number, is not acceptable. In the event that an acceptable form of receipt is not available, the cardholder shall create, either in paper or electronic form, an itemized list which satisfies the requirements set forth in this subsection. The cardholder and direct supervisor or coordinator’s signatures, physical or electronic, are required as well as the date the goods were received, along with whatever receipt is available....”

Cause: The Commissioner of WVIAC informed us the WVIAC could not provide additional detail as the invoices are based on the schedules, and the WVIAC destroys those records. Also, we are unable to determine the cause for the missing supporting documentation due to the fact the person in charge of the Mountain Lion Club during our audit period is no longer employed by CU.

We were informed by the P-card coordinator the cardholder was only required to submit the invoice which stated the total balance due and paid for by the state purchasing card. Further, the current P-card Coordinator said the prior Purchasing Director may have failed to retain or to require proper supporting documentation. She stated the p-card transactions which were missing all documentation were moved for storage and filing; therefore, she was unable to locate them.

Effect: By not receiving any documentation other than an invoice from the WVIAC only stating the amount due, there is the risk that CU could pay the incorrect amount to the WVIAC. Without receipts, and in some instances log sheets, to support purchasing card purchases, there is an increased risk that improper amounts could be paid to vendors, sales tax could be paid, and unauthorized purchases could be made.

Recommendation: We recommend CU personnel comply with W. Va. Code §5A-8-9, West Virginia Legislative Rule Title 155, Series 1, Section 3, of the West Virginia Higher Education Purchasing Procedures Manual, and State Purchasing Card Program, Policies and Procedures and review all invoices submitted for payment to ensure the invoices are itemized and detailed and there is proper documentation to support the amount being invoiced to CU. We also recommend CU retain proper supporting documentation.

**Spending Units
Response:**

Concord agrees with the findings in Finding 13.

a.) Lack of documentation for amounts paid to the West Virginia Intercollegiate Athletic Conference (WVIAC). The WVIAC bills the University for the cost of referees who are paid for refereeing various games played by all higher education institutions. The invoices do not contain details related to the number of referees for each sport that are included in Concord’s cost. However, since the number of games is readily known by the personnel in the Athletic Department, i.e. eleven games for football; the verification of the amount billed

is done within the department. Concord should have prepared a calculation to attach to the invoice that reflected the details missing from the WVIAC invoice.

The Athletic Department will, however, implement procedures requiring all invoices to contain the necessary information as required by WV Code 5A-8-9 of the West Virginia Higher Education Procedures Manual and the State Purchasing Card program. The internal calculations of the approved payment for the WVIAC will accompany the invoice when it is processed for payment.

b.) Concord will inform the personnel working with the Pcard purchasing transactions of the necessity of complying with WV Code 5A-8-9 of the West Virginia Higher Education Procedures Manual and the State Purchasing Card program.

Finding 14 **Revenues Improperly Deposited**

Condition: The Mountain Lion Club, Inc. collects parking fees at CU athletic events and deposits these moneys into the Mountain Lion Club accounts. The Mountain Lion Club was created to assist the Athletic Department and is a separate entity with its own board members and officers and a separate FEIN.

The parking fees collected for athletic events should have been deposited into the CU Auxiliary Fund. The parking fee for athletic events is \$1 per vehicle and a total of \$553 was deposited with the Mountain Lion Club accounts for the audit period.

Criteria: W. Va. Code §18B-19-2 states in part:

“...As used in this article, the following terms have the meanings ascribed to them....

(c) "Auxiliary facility" means a building or structure that is used for an auxiliary enterprise including, but not limited to, residence halls, food services, **parking**, intercollegiate athletics, faculty and staff housing, student unions, bookstores and other service centers.

(d) "Auxiliary fees" means funds derived from, but not limited to, the following sources:

(1) Parking fees received from any source;..." (Emphasis Added).

Cause: The Academic Program Associate told us the parking fees collected for athletic events are considered a type of fundraising with monies collected going to the Mountain Lion Club, Inc. to be used to purchase items which may not have been in the budget.

Effect: The fees collected for parking at CU athletic events is being deposited to the Mountain Lion Club, Inc.; therefore, CU may not benefit from the fees and is losing interest on the moneys which should be deposited into the CU Auxiliary Funds. Also, purchasing procedures could be circumvented.

Recommendation: We recommend CU comply with W. Va. Code §18B-19-2 and deposit monies received from athletic event parking fees into CU auxiliary funds. Also, we recommend CU work with the Mountain Lion Club, Inc. to determine the parking fees erroneously deposited into the Mountain Lion Club accounts and seek reimbursement.

Spending Units

Response: *Concord agrees with the findings in Finding 14.*

The ability to collect parking fees of \$1 for cars parked during sporting events is considered a fund raising opportunity the University's Track and Field Programs in which members of the program work the event on a voluntary basis. However, to comply with WV Code 18B-19-2, all receipts from fund raisers for parking during sporting events will be deposited in the University's Auxiliary Fund and not the Mountain Line Club.

Finding 15 **Outstanding Balances and Incorrect Fee Assessment**

Condition: During our testing of Tuition and Fees, Refunds, Waivers and Financial Aid at CU, utilizing the population of 6226 students, we noted eleven out of 36 students tested had outstanding balances totalling \$20,760. Nine of these were allowed to receive a degree while still have the outstanding balances. We also noted one student was not assessed the proper amount for technology fees of \$18.00.

Criteria: W. Va. Code §18B-10-1, as amended states, in part,

“...(g) All fees are due and payable by the student upon enrollment and registration for classes except as provided in this subsection: (1) The governing boards shall permit fee payments to be made in installments over the course of the academic term. All fees shall be paid prior to the awarding of course credit at the end of the academic term...(3) If a governing board determines that a student's finances are affected adversely by a legal work stoppage, it may allow the student an additional six months to pay the fees for any academic term. The governing board shall determine on a case-by-case basis if the finances of a student are affected adversely...”

Concord University 2007 - 2009 Academic Catalog states, in part,

"FEES MUST BE PAID prior to the start of classes*

***Note: With special permission from the Business Office and a signed agreement, charges for tuition and fees, room and board may be paid in four monthly installments. The initial installment payment must be equal to or greater than 25% of the outstanding balance after application of all financial aid."**

"FAILURE TO MEET ALL MONETARY OBLIGATIONS ENCUMBERS THE STUDENT'S RECORDS; REGISTRATION FOR SUBSEQUENT SEMESTERS WILL NOT BE PERMITTED AND TRANSCRIPTS AND SEMESTER GRADES WILL NOT BE ISSUED UNTIL ALL OBLIGATIONS ARE PAID."

"To graduate, to receive credentials, or to be recommended for teaching certification, all fees and other bills due the University must be paid."

Cause: The Financial Reporting Officer/Controller stated she continued the process already in place when she began her duties at CU, and she was not aware of whether or not the policy had been approved by the CU Board of Governors. The Accounting Assistant II stated a hold is placed on a student's account in BANNER when the student has an outstanding account receivable. The Accounting Assistant II also stated a hold on the student's account prevents the student from registering for classes or receiving transcripts, but if the student was graduating, the student would still be allowed to receive a degree.

The Interim Business Manager stated they do not put a hold on the student's account until the drop date thus a balance would be left on the student's account for classes taken.

Effect: The failure to collect a student's fees and tuition before allowing said student to continue their education, or receive their credentials, denies CU and The State of West Virginia the proper funding needed in order to continue educating other students who have made proper payments. Also, by releasing a degree before all accounts have been settled significantly impacts CU's ability to recoup the monies they are entitled to receive.

Recommendation: We recommend CU comply with W. Va. Code by requiring all payments and obligations to be collected prior to the start of classes, except as provided in the W. Va. Code, and discontinue the practice of issuing students' degrees when the student has an outstanding balance owed to the University. Further, we recommend CU comply with their own Academic Catalog and keep fee schedules up to date and in line with the proper assessment for the proper class.

Spending Units

Response:

Concord agrees with the findings in Finding 15.

Concord will comply with WV Code by requiring payments, or an arrangement of all payments, prior to the start of class, except as provided in the WV Code. Concord also agrees to withhold not only the student's transcript, but also the diploma, in order to facilitate the payment of any outstanding balances due the University at the time of graduation.

Finding 16**Contract Terms Not Followed and Special-Handled Checks****Condition:**

During the testing of Contractual and Professional expenditures, we noted CU did not follow the contract terms for one of the fifteen transactions tested of the population of 210 transactions. The institution requested the check be special-handled by the WV State Auditor’s Office in order for CU to present payment to the vendor when the service was rendered instead of mailing the check the next business day after the service was rendered as the contract terms specified. Additionally, CU requested checks to be special-handled by the WV State Auditor’s Office for four of the fifteen transactions tested as three of the contracts specified payment to be made immediately after the service was rendered; one of those four transactions did not have a written contract agreement.

The table below indicates the transactions requested to be special-handled.

WVFIMS Document Number	Date of Request for Payment	Date of Service	Vendor Name	Invoice Total
I640900336*	08/14/08	10/18/08	SOPHIE K ENTERTAINMENT	\$ 1,500.00
I640901892	01/16/09	03/21/09	FRALEY WILLIAM T	600.00
I640902411	03/19/09	4/14-17/09	FANTASY WORLD INC	12,055.00
I640900368	08/20/08	10/09/08	REDDING BROTHERS	1,675.00
I640901989**	02/04/09	04/02/09	SNAKES ALIVE INC	475.00
			TOTAL AMOUNT	<u>\$16,305.00</u>

As indicated by the Date of Request for Payment and the Date of Service shown in the table above, CU personnel may have possession of the checks for several weeks before the vendor receives the check upon the rendering of services.

Criteria:

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

Cause:

The Financial Reporting Manager stated CU requests the checks to be special-handled so CU is able to pay the vendor when the service is rendered. She explained when the CU Accounts Payable Department receives the check from the WV State Auditor’s Office, she contacts the department requesting the payment to come and pick up the check from her, but she does not have them sign a form to document the check was received. The hosting department keeps the check locked in a safe in their department until payment is made to the vendor. The vendor is not required to sign a form acknowledging receipt of the payment.

Effect: The issuance of special-handled checks to CU by the WV State Auditor's Office, which CU maintains for a period of time before the vendor provides services and is entitled to the payment, provides an opportunity for the check to be lost or fraudulently obtained and used for personal gain.

Recommendation: We recommend CU follow the contract terms and issue payment according to the agreement. If the decision is made to special-handle checks, then we recommend CU put appropriate internal controls in place, such as having the department representative sign a form to document the check was received from the CU Accounts Payable Department. Additionally, once the hosting department gives the check to the vendor upon completion of the service, the vendor should be required to sign a form documenting receipt of the check. Further, we recommend CU try to minimize the number of special handled checks requested.

Spending Units

Response:

Concord agrees with the findings in Finding 16.

In order to improve the internal control for segregation of responsibilities, the Accounts Payable Department has implemented a log to register all checks that are special handled checks that will include the following: check payee, warrant number, the signature of the person picking up the check, the date check was released from Accounts Payable Office. A copy has been attached for review.

Finding 17

Missing Documentation, Improper Years of Service and Improper Payment

Condition:

During our test of Annual Increment transactions, we noted instances of either improper payment or we were unable to determine the set Annual Increment which should have been paid due to missing documentation.

Of 163 Annual Increment transactions, we tested 15 and noted two exceptions as detailed below:

- **Employee #1:** We were unable to determine an accurate start date for this employee due to the fact CU was not able to provide us with documentation showing his actual start date. We located a WV-11 showing his start date as 12/1/1995 however Human Resources stated he was a benefit eligible hourly employee before that time. We located time sheets on file starting 10/17/1992 but we also located an evaluation completed for this employee starting 5/1/1992. The CU Payroll Department contacted the employee and he stated he began working for CU in 1991 as a custodian.
- **Employee #2:** During our audit period the employee was underpaid by \$540. We went back and recalculated the total amount of misstatement due to the employee because of the error and we calculated she was underpaid by \$3,870.

Criteria:

W. Va. Code §5A-8-9 states in part:

“The head of each agency shall:

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

W. Va. Code §5-5-2. Granting incremental salary increases based on years of service.

“a) Every eligible employee with three or more years of service shall receive an annual salary increase equal to sixty dollars times the employee's years of service. In each fiscal year and on the first day of July, each eligible employee shall receive an annual increment increase of sixty dollars for that fiscal year.”

W. Va. Code §5-5-1 states in part,

“...(b) Years of service" means full years of totaled service as an employee of the State of West Virginia. For full-time faculty as defined in this section, each nine or more months of contracted employment during a fiscal year equals one full year of service;...”

Higher Education Policy Commission Title 133 Series 38, 2-5 states:

“Length of service shall be total years of service which includes experience with state institutions of higher education and other state agencies. Continuous service is not required to complete the required term. Annual appointment periods of nine (9) months or more shall be credited for one (1) year of service for annual leave calculation purposes.”

Cause: The Payroll and Human Resources Department informed us they were unable to locate any time sheets showing Employee #1’s hourly employment before October 17, 1992. The Payroll Department reviewed previous EPICS records to try to determine when he actually became benefit eligible and therefore would also be eligible to start receiving annual increment.

The Payroll and Human Resource Department determined that an error occurred in determining Employee #2’s previous state work experience. She stated there had been a 20 year cap put on the years of service allowed. However, once the cap was removed in 2003 it appears the annual increment was not calculated to include all years of service.

Effect: Overpayment of annual increment due allows the employee to be compensated for moneys not earned. Underpayment of annual increment results in reductions of the employee’s income which is due to them.

Recommendation: We recommend CU comply with W. Va. Code §5A-8-9, §5-5-2 and §21-5C-5 and accurately account for the employee’s years of service. We also recommend CU comply with W. Va. Code §5-5-1 and HEPC 133 Series 38, 2-5 and confirm that all years of service are calculated, including prior state service when figuring the annual increment paid to the employee. We recommend CU compensate the employee for the underpayment due to the miscalculation of the annual increment.

Spending Units

Response: *Concord accepts the findings in Finding 17.*

As to Employee #1, the question about his start date in the early 1990s was caused by his starting as an hourly employee and the length of time since that occurred (nearly twenty years ago). CU’s Human Resources currently creates and maintains a file for all hourly employees; so, the situation should be an anomaly. As to Employee #2, we also believe that this was a unique situation in that the law changed to increase annual increment pay to no longer have a cap of \$1,000. A clerical mistake was made on the WV-11 facsimile when one year of annual increment was added instead of calculating past years of service to determine the increase.

Finding 18

CU Compensatory Leave

Condition:

During our test of Sick, Annual and Compensatory leave we noted instances of compensatory time not being verified or tracked by a supervisor. We also found instances of compensatory time not being approved by a supervisor before the time is worked and during our audit period, written agreements between the employee and institution are not completed when the employee chooses compensatory time off in lieu of overtime pay.

We tested 13 out of 155 employees and found the following three exceptions:

- Upon reviewing one employee's time sheets, we noted she had written compensatory time on the bottom of some of her time sheets. We inquired as to who tracked her compensatory time and the employee stated that she did by writing her time earned and used on the bottom of her time sheets. We then proceeded to ask her supervisors which signed off on her time sheet if they verified the compensatory time written on the bottom of the time sheets and we were told they did not verify or track any of the time.
- We were unable to locate prior authorization for compensatory time worked for the above employee. The time worked was not an emergency situation where permission may not be attainable.
- Employees are working overtime hours without prior authorization and are taking compensatory time in lieu of overtime pay. We are unable to locate where a written agreement between the Institution and the employee taking compensatory time in lieu of overtime is being completed.

Criteria:

WV Code §18B-7-11 states, in part:

"(a) Notwithstanding any other provision of this code to the contrary, employees of the governing boards may receive in lieu of overtime compensation, compensatory time off at a rate not less than one and one-half hours for each hour of employment. **Said employees may receive compensatory time only pursuant to written agreements arrived at between the employer and the employee before the performance of the work,** and recorded in the employer's record of hours worked, and if the employee has not accrued compensatory time in excess of the limits prescribed herein. Any written agreement may be modified at the request of either the employer or employee, but under no circumstances shall changes in the agreement deny an employee compensatory time heretofore acquired. ." **(Emphasis Added)**

Cause:

We spoke with the employee's immediate supervisors and their understanding of the situation was the Payroll Department handled the verification of an employee's compensatory time.

We spoke with the employee and she stated there are many instances where she does not know she will be working over until she comes in to work and is informed a particular project needs to be completed. She said she then works whatever hours are needed to complete the project. The projects mentioned are not emergency related.

Effect: If a supervisor is not tracking the employee's compensatory time, there is no way to track whether the leave being earned and used is correct. When the employee is allowed to track their own leave, it provides opportunity for fraud to occur.

The inability to locate authorization for employees to work hours in excess of 37.5 makes it impossible to determine if the hours worked were necessary. We are unable to determine if the projects assigned to the employee could have been completed during normal working hours. However, since we could not locate anything approving the extra work hours, we have no way of knowing what particular projects were completed during the extra hours worked.

According to the Fair Labor Standards Act, employees are to be paid overtime pay for any hours worked over 40 hours. Without a written agreement being filled out by the employee to prove they wished to waive the overtime pay and take compensatory time in its place, we cannot determine if the compensatory time was preferred by the employee.

Recommendation: We recommend CU comply with and maintain proper documentation of compensatory time records. A supervisor needs to authorize and verify any compensatory time taken. We also recommend CU comply with WV Code §18B-7-11 and obtain written authorization for employees' overtime worked to be converted into compensatory time in lieu of overtime pay.

Spending Units

Response: *Concord agrees with this finding.*

Concord is in the process of creating and disseminating a compensation time policy this academic year. Additionally, Concord will present compensation time training to supervisors this academic year to ensure that they understand that they must approve and track compensatory time and that they must enter into written compensation time agreements with the employee when compensation time is received in lieu of overtime. CU is considering methods and systems to better track compensation time, including the possibility of a computerized time management system that will track compensation time along with regular time, overtime, and leave.

Finding 19**CU Travel pay for employees called into work**

Condition: During our test of Sick, Annual and Compensatory time we noted CU is paying one hour of travel time to employees at the Physical Plant if they are called to come to work on their day(s) off. We also found that employees were not filling out a travel expense settlement form, which is required to obtain reimbursement for travel related expenses. We were unable to locate any policy authorizing the travel pay.

Criteria: WV HEPC Title 133 Series 29, 4.1.2 states, in part:

"Employees are responsible for submitting a travel expense account settlement form, with all required receipts and attachments, to her or his institution within a reasonable amount of time after the last day of travel, as defined by the institution, in order to qualify for reimbursement of expenses or for payment."

Cause: CU's Controller stated a policy had been written up concerning the travel pay and she had even introduced that CU pay up to three hours of travel time for employees called in on their day off, but she said it never was presented to the CU Board of Governors due to unknown reasons.

Effect: Employees are being compensated for travel time that is not supported by any documentation or written policies, which may allow employees to be reimbursed when it is not applicable.

Recommendation: We recommend CU comply with WV HEPC Title 133 Series 29, 4.1.2 and establish a written policy approved by the Board of Governors regarding travel time for employees called in to work on their day(s) off.

Spending Units

Response: *Concord agrees with the findings in Finding 19.*

Concord has developed and submitted for approval a draft compensatory payment policy. However, it appears that it will require certain modifications. The plan, however, will eventually be approved and applied by Concord. See attached draft of the policy to be considered prior to other changes.

Appendix A

<u>Type of Internal Control Weakness</u>	<u>Collection Type</u>	<u>FY 2009 Cash Receipts Deposited</u>
Lack of pre-numbered receipts	PRSH-Print Shop	\$45
Lack of pre-numbered receipts	Student Center check cashing fee	\$67
Lack of pre-numbered receipts	Student Center games-non tax	\$93
Lack of pre-numbered receipts	FAX-FAX Machine	\$134
Lack of pre-numbered receipts	TEST-Testing	\$255
Lack of pre-numbered receipts	Student Center games-tax	\$272
Lack of pre-numbered receipts	Facility rental-classroom	\$308
Lack of pre-numbered receipts	KEYS-Key Deposit	\$460
Lack of pre-numbered receipts	ARLB-ATL Lab Fee	\$660
Lack of pre-numbered receipts	MISC-Miscellaneous	\$714
Lack of pre-numbered receipts	LIBF-Library Fines	\$1,236
Lack of pre-numbered receipts	Facility rental-ctr non-tax	\$1,570
Lack of pre-numbered receipts	ARTL-Artist Lecture Series Non-Tax	\$3,495
Lack of pre-numbered receipts	Misc-Student Center	\$3,772
Lack of pre-numbered receipts	ACTX-Artist Lecture Series-Taxable	\$4,087
Lack of pre-numbered receipts	MPAF-Masters Program Application Fee	\$4,555
Lack of pre-numbered receipts	Facility rental athletic department	\$4,670
Lack of pre-numbered receipts	Parking Fines	\$4,410
Lack of pre-numbered receipts	TRAN-Transcript Charge	\$17,270
Lack of pre-numbered receipts	Parking Fees	\$7,020
Lack of pre-numbered receipts	English language training deposit	\$60,418
	TOTAL	\$124,511

MEMORANDUM OF AGREEMENT

BETWEEN

CONCORD UNIVERSITY RESEARCH AND DEVELOPMENT CORPORATION
ATHENS, WEST VIRGINIA

AND

CONCORD UNIVERSITY
ATHENS, WEST VIRGINIA

This Memorandum of Understanding (MOA) is effective this first day of July, 2011 and is entered into by and between the parties listed below who have come together for the purpose of fostering, supporting, participating in and assisting in any research and economic development activities in furtherance of the educational objectives and mission of Concord University. The terms of this Memorandum of Understanding will continue until terminated by either party as subject to Article II, Section E below.

Article I

KEY COLLABORATIVE AGENCIES

- A. Concord University Research and Development Corporation
PO Box 1000, Campus Box D – 142
Athens, WV 24712-1000

Hereinafter referred to as "CUR&D".

- B. Concord University
PO Box 1000
Athens, WV 24712-1000

Hereinafter referred to as "Concord".

Article II

RELATIONSHIP BETWEEN THE PARTIES

- A. This is a voluntary collaboration intended to promote fostering, supporting, participating in and assisting in any research and economic development activities in furtherance of the educational objectives and mission of Concord University between CUR&D and Concord.

- B. This MOA shall relate only to the fostering, supporting, participating in and assisting in any research and economic development activities in furtherance of the educational objectives and mission of Concord University.
- C. Nothing in this MOA shall be deemed to constitute, create, give effect to, or otherwise recognize a partnership, joint venture, or formal entity of any kind.
- D. Each party shall indemnify, defend and save the other party harmless from and against any and all losses, damages, injury, liability, and claims directly resulting from their performance under this agreement.
- E. Either party may terminate this MOA by written notice 90 days in advance of the effective date of termination. This agreement will renew annually until terminated.
- F. Supplemental Agreements under this MOA shall be negotiated and decided separately. No alteration or modification of this MOA shall be valid unless made by an instrument in writing, signed by authorized representatives of CUR&D and Concord. No such alteration or modification shall be construed to alter or amend any provisions of this MOA unless expressly so stated in such written instrument.
- G. All activities undertaken pursuant to this MOA will be conducted in accordance with the laws of the State of West Virginia, and the federal laws of the United States.

Article III

RESPONSIBILITIES AND OBLIGATIONS OF THE PARTIES

- A. Each party will make an effort to promote and develop cooperation in the following activities, upon the principles of equality and reciprocity.
 - 1. Foster, support, participate in and assist in any research and economic development activities in furtherance of the educational objectives and mission of Concord University.
 - 2. Act in the solicitation and receipt of funds for grants and contracts pursuant to the educational objectives and mission of Concord University.
 - 3. Act on training and educational activities and with respect to matters such as public service, scholarships, fellowships, publications and endowments, together with all other purposes consistent with the educational objectives and mission of Concord University.
- B. Unless otherwise stated in a protocol and mutually agreed upon by the parties:

1. Concord Responsibilities and Obligations:

- a. Provide administrative, faculty, staff, and student support as necessary.
- b. Assist in the development of policies and procedures ensuring CUR&D ability to assist in Concord's mission.
- c. Provide additional support as necessary as determined by Concord and CUR&D officials.

2. CUR&D's Responsibilities and Obligations:

- a. Assist Concord as determined in CUR&D's Bylaws and by West Virginia State Code 18B
- b. Provide administrative, faculty, staff, and student support as necessary.
- c. Assist in the development of policies and procedures ensuring CUR&D ability to assist in Concord's mission.
- d. Provide additional support as necessary as determined by Concord and CUR&D officials.

**Article IV
NOTICES**

All reports, notices and communications given to Concord by CUR&D, except as otherwise specifically provided, shall be directed to the Concord Official:

Gregory F. Aloia, Ph.D., President and Professor
Concord University
PO Box 1000, President's Office
Athens, WV 24712-1000

Phone: 304-384-5224

Fax: 304-384-5185

Email: president@concord.edu

All reports, notices and communications given to CUR&D by the Concord Official, except as otherwise specifically provided, shall be directed to the CUR&D Official:

Charles P. Becker, Executive Director
Concord University Research and Development Corporation
PO Box 1000, Campus Box D-142

Athens, WV 24712 – 1000

Phone: (304) 384 – 5190
Email: becker@concord.edu

**Article V
AMENDMENTS**

This Memorandum of Agreement may be amended at any time by an agreement in writing executed by authorized representatives of Concord and the CUR&D.

The parties hereto have executed this Memorandum of Agreement, this first day of July, 2011.

Concord University:

**Concord University Research and
Development Corporation:**

Signature

Signature

Date

Date

**CONCORD
UNIVERSITY**

Vermillion Street, PO Box
1030 Athens, WY 84712

UNIVERSITY PCARD PURCHASE AUTHORIZATION & RECEIVING FORM

This form is to be used to provide documentation for purchases and items received when the merchandise paid for using the Pcard/Requestions in Bazaar for items purchased with the card will no longer be required. Once the document is completed, the program will automatically forward a copy to the Accounts Payable Office and the Receiving area in the Physical Plant.

The control number will be assigned automatically by the software.

Please complete the required information requested below. Please be advised that the system will not allow processing of the information without the completion of the cardholders name, the Card number, the organization number and the account.

Cardholder Name	Control Number:
Office Telephone: Fax:	Date Prepared:
Department:	

Vendor's Name:	Mail Requested:	Ship to Name:
Vendor Telephone Number:	Building Location/Shipping Location:	

Item No.	Org. No.	Acct. No.	Quantity Ordered	Quantity Received	Description	Unit Price	Total
The quantity ordered, quantity received and unit price to do not have to be completed for items purchased onsite from the vendor. The unit price, however, must be entered for each separate account number that may be necessary to correctly record the purchase. For example, items picked up by the cardholder at Staples where office supplies and a laptop computer were purchased would require two account numbers to be used to complete this form, an amount charged to office supplies and an amount charged to computer hardware equipment.						TOTAL	

The information shown on this report is each cardholder will be accumulated and used in the Pcard Log that is turned in to the Accounts Payable Office each month.

Requested By: _____
Signature of the Requester *Date*

Approved By: _____
Signature of the Department Supervisor *Date*

Received By: _____
Signature of Receiving Personnel *Date*

Provide a copy in the Department Supervisor and a copy to the Purchaser.

APPROVED FOR PURCHASE BY REQUESTOR BY PURCHASER & RECEIVING DIVISION BY REQUESTOR

**Concord University
Clarification Memo
For Compensatory Time Accumulations & Payment**

Introduction:

The purpose of this memo is to clarify policy and procedure as they relate to the use of compensatory time and call-in travel.

Effective date: _____

Legislative Authorizations:

WV State Code:

§183-7-11- Compensatory time off in lieu of overtime; written agreement; other conditions

§21-5C-3. Maximum hours; overtime compensation

HBPC Title 133

Series 8-Personnel Administration

Series 39-Classified Employees

29 CFR Part 553-Application of the Fair Labor Standards Act to Employees of State and Local Governments

Official Workweek-Sunday 12 a.m. to Saturday 12 p.m.

Purpose: Legislative authorizations listed above require a written agreement between the employer and the employee if a compensatory plan utilized. The agreement is designed to meet these requirements.

Employees electing the compensatory time option in lieu of overtime option: Full-time or part-time non-exempt employees.

Work activities subject to compensatory time options: (1) Subject to a maximum of 480 hours-public safety activities, emergency response activities, and seasonal activity. (2) All other work subject to a maximum of 240 hours.

Compensatory time equivalents:

- a. The normal work week consists of 37 ½ hours.
- b. Compensatory time accumulated between 37 ½ and 40 hours will be accrued at the employee's regular rate of pay.
- c. Compensatory time at the rate 1 ½ times the employee's regular pay rate will accumulate after the employee has attained 40 hours.
- d. If the employee has used annual leave, sick leave, holidays, or any other paid employee benefits to accumulate the 40 hour limit, the compensatory

- time will be earned at the employee's regular rate of pay for any hours from the aforementioned categories that are included in the total.
- e. Only hours actually worked in excess of 40 hours during the work week can be accumulated at the rate of 1 ½ times the normal rate of pay.

This written agreement between the employee and the Institution constitutes the agreement required by Series 39, Section 7.3 enabling the employee to elect compensatory time rather than overtime pay for hours worked in excess of the normal work week.

Agreement modifications: The agreement as set forth herein may be modified upon mutual agreement of the representatives of the University, (employer), and the employees.

Employee termination: Accumulated compensatory time not used by the employee will be paid to the employee upon termination of employment, (includes retirement or death) at the straight time or 1 ½ times the straight time rate at which the employee earned the compensatory time. The rate used should be the employee's current regular rate of pay or the average of the last three years pay rate, whichever is higher.

Duration of accumulated compensatory time: If compensatory time is not used by the end of the fiscal year in which it was earned the employee should be paid out at the end of the fiscal year for all but a maximum out of 37 ½ hours.

Travel: An employee electing the compensatory time accumulation option will be paid for a maximum of one hour travel time for each unscheduled emergency occurrence that requires the employee to report to work on their normal off hours. This travel time is a one hour total encompassing both to and from work. The travel time will be paid as one hour of regular or straight time pay.

Changes in employee's work week: The Supervisor is required to provide written notification to the employee and the payroll department of any changes in the employee's normal work week. A change in the schedule that is expected to last more than 30 days will constitute a change in the regular work week and will not be subject to compensatory time due to the change. The employee is to be provided 15 days written notice prior to any changes in his regular work week. A copy of the notification is to be provided to the payroll office and the human resources office.

Requests for compensatory time off:

1. The compensatory time off should be used within the fiscal year in which it is earned. If unused at fiscal year end, all hours will be paid to the employee except for a balance of 37 ½ hours.

2. The employee is required to provide the employer with at least two weeks written notice in advance when a scheduled use of compensatory time is requested.
3. The request shall be granted by the employer as long as it does not "unduly disrupt" the operation of the employer.

Holidays: ~~Non-exempt~~ employees working a holiday shall be paid for the holiday at their regular rate of pay plus be paid for the actual hours worked at 1 ½ times their regular rate of pay. Should the employee choose to take compensatory time off in lieu of being paid overtime, the time off must be used within the current fiscal year.

Time recording: For those departments utilizing time clocks, each employee must clock in and out when they are called in to work for times considered to be overtime or compensatory time.

Recordkeeping requirements: The following information is to be recorded for each employee by pay period worked if the employee has elected the compensatory time option:

1. Number of hours worked
2. Compensatory time earned each week at regular or overtime rates
3. Number of hours taken as cash by the employee and the amount paid
4. A copy of the agreement between the employee and the employer shall be maintained in the same file as the employee time records
5. Notation on each employee record indicating the normal workweek for each employee and its starting date.

**Concord University
Compensatory Time Form**

I hereby elect to take compensatory time off rather than be paid overtime for the hours I have worked in excess of 37 ½ hours for the pay period ending _____. I understand that at anytime I may elect to be paid for the overtime I have earned.

I understand that when I work overtime or elect compensatory time during a work week, that I will be paid my regular rate of pay for the 2 ½ hours between 37 ½ and 40 hours, and that for any hours over 40 per work week, I will be paid at 1 ½ times my regular rate of pay.

I understand that at the end of each fiscal year, beginning July 1, 2007, the compensatory time I have earned will be paid to me for all compensatory time accumulated during the prior fiscal year except for 37 ½ hours which will be carried forward the new fiscal year.

I understand that if hours worked were earned during a holiday that I must use this compensatory time within 6 months of the date paid.

I understand that the institution is required to provide me with 15 days notice of a permanent change in my regular work week, and that any change in my schedule that is expected to last more than 30 days will be considered permanent. Compensatory time may not be accumulated that is a result of a permanent change in work week schedule.

I understand that any accumulated compensatory time will be scheduled off will be approved by my immediate supervisor and in accordance with the duties and responsibilities of the department.

I understand that I may accumulate compensatory time of either 240 or 480 hours per year dependent upon the requirements of my job. *(Please check with your supervisor for the maximum amount of time that can be accumulated for your position.)*

_____ Employee Name	_____ Date
_____ Immediate Supervisor	_____ Date

This form is to be completed each time the employee earns and elects compensatory time off in lieu of overtime pay.

Original-Employee's compensatory time records
Copy-Payroll Department
Copy-Human Resource Department

Accounts Payable Check Log Register

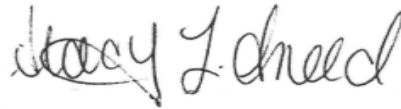
CHECK PAYEE	WARRANT NUMBER	PERSON PICKING UP CHECK	DATE CHECK WAS RELEASED	WHO GAVE CHECK OUT

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

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

Given under my hand this 12th day of October 2011.



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

Notification of when the report was released and the location of the report on our website was sent to the Secretary of the Department of Administration to be filed as a public record. Report release notifications were also sent to the West Virginia Higher Education Policy Commission; Concord University; Governor; Attorney General; and State Auditor.