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SEPTEMBER 14, 2026

Department of Tourism - Arts, Culture, and History

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Post Audit Division

Objective(s): To what extent has Arts, Culture, and History incorporated and followed applicable law and best practices for proper and efficient fiscal management?

Key Findings:

Decentralized budgeting and fiscal management within the former Department of Arts, Culture, and History led to the ACH over-encumbering operational funds.

ACH lacked policies for its cash handling operations and was not in compliance with laws governing cash receipts for state entities. Tourism leadership has worked to rectify these issues, established and implemented new policies, and reduced cash receipt points to limit unnecessary cash handling.

Department of Tourism officials discovered that ACH had not remitted appropriate sales tax collections since 2015. Tourism has worked with the West Virginia Tax Department on a settlement plan to correct the issue.

ACH had not properly maintained asset inventories since approximately 2020 and lacked policies for doing so. The Legislative Auditor's limited review of IT-related assets identified numerous assets missing from ACH's inventory. Tourism has implemented new policies and is working to update ACH inventory.

September 2026

Department of Tourism: Arts, Culture, and History (ACH)

Background: During the 2025 Regular Session, the Legislature passed House Bill 2009 which, effective July 1, 2025, reorganized the former Department of Arts, Culture, and History (ACH) under the Department of Tourism. Subsequently, as part of its preparations for the reorganization, Department of Tourism leadership approached the Legislative Auditor's Office with concerns and observed issues with ACH's fiscal management.

Specifically, Tourism expressed concerns over issues it had observed within ACH with respect to:

- Division-level fiscal management, including budgeting, the establishment and adherence to appropriate policies, accounting practices, and expenditure procedures;

- Department-wide cash handling activities being noncompliant with relevant state law and lacking policies; and

- Asset inventories for both the Department's operational assets and the State Museum's special collections are not appropriately managed or maintained.

This report details the Legislative Auditor's findings and the corresponding actions taken by the Department of Tourism to address and correct the issues identified within ACH.

Key Findings:

Decentralized Budgeting and Fiscal Management Within The Former Department of Arts, Culture, and History Contributed to Over-Encumbrances, Wherein the Department Was Financially Obligated For More Expenditures Than It Had Funds Available.

One of the main concerns expressed by Tourism to the Legislative Auditor related to over-encumbrances noted within certain ACH funds. Tourism indicated that two special revenue accounts—Fund 3530 and Fund 3537—were over encumbered by a combined total between \$1.5 and \$2 million. Fund 3530 is a cash collection account for fees, rentals, gifts, grants, sales, and donations, and Fund 3537 comprises statutory transfers disbursed by ACH as grants intended for capital improvements, preservation, and the operation of cultural facilities.

In response to the funding shortfall, the Legislature made a supplemental appropriation to the Department to cover the over-encumbered funds.

The Legislative Auditor worked with the Department of Tourism to determine the causes and contributing factors that led to ACH obligating itself to spend more money than it had budgeted and available.

Interviews with ACH Administrative staff determined that ACH functioned in a very decentralized manner prior to its reorganization under the Department of Tourism. Each division under ACH managed their own budgets with little or no input from central administration. The administrative office was not actively involved in setting, managing, or overseeing budgets or expenditures at the division-level. Functionally, ACH administration personnel were often just the final receiver of financial and procurement documents.

As a direct result, Tourism noted instances wherein grants and contracts, obligating ACH to expenditures, were not appropriately or timely entered into wvOASIS. Failure to enter financial obligations such as grants and contracts into the system timely, or at all, can result in divisions believing they have more money to spend than they do. Tourism indicated that in some instances, it was only aware of a financial obligation when the vendor requested payment against an existing grant or contract.

The Legislative Auditor requested Tourism provide a full listing of all active grants and contracts obligating ACH for payment as well as a copy of each active grant or contract across all of its divisions. By reconciling documentation to the Department's list of financial obligations, Tourism and the Legislative Auditor were able to identify dozens of grants, contracts, or other purchasing records that had not been properly accounted for and/or recorded.

Tourism's data identified over 50 open encumbrances for which it had no or limited documentation. Some of these transactions likely represented open encumbrances that were old, previously paid, and needed only to be closed out. However, the Department noted initial uncertainty with respect to whether some of the open-encumbrances represented actual obligations the Department has to pay.

In addition, the Legislative Auditor's analysis identified 72 grants issued by ACH for which the Department was able to provide documentation, but which were not accounted for in its listing. These 72 grants had a combined total of approximately $900,000.

As part of the merger, the Department of Tourism has worked to incorporate best budgeting and fiscal management practices from Tourism into the various divisions of ACH, including greater fiscal and budgetary controls from its central administrative offices. In addition, the Department has worked to ensure all financial obligations are accounted for appropriately and timely to ensure divisional spending levels stay within appropriations. The Legislative Auditor recommends that the Department of Tourism continue to ensure all financial obligations are accounted for timely and appropriately.

Art, Culture, and History Lacked Policies For Its Cash Handling Operations and Was Not In Compliance With State Law Governing Cash Receipts. Further, ACH Failed to Remit Appropriate Sales Taxes For Approximately 10 Years. The Department of Tourism Has Established and Implemented New Policies and Reduced Cash Handling Operations, and Reached a Settlement With the Tax Department For Owed Sales Taxes.

Arts, Culture, and History operated several collection points for cash receipts, including the Culture Center, Camp Washington Carver, Grave Creek Mound, Independence Hall, the Coal Heritage Museum, and Volunteer West Virginia. Cash collection activities vary by location, but generally include activities such as rental fees, gift shop and other item sales, subscriptions, and entry fees for special events or exhibits.

Tourism expressed concerns related to the ACH cash collection activities, specifically citing a lack of consistent, formal policies and procedures governing cash handling. The Legislative Auditor's analysis of ACH's cash handling activities, in conjunction with the Department of Tourism, identified the following weaknesses in ACH's processes and controls:

- The Department lacked formal, written policies and procedures over cash receipts.

- Cash was not properly stored at each collection point. While some collection points reported that cash was stored in appropriate safes or secure lock boxes, other collection points reported that cash was left in cash registers or unsecured folders on employees' desks.

- Some cash collection points used cash-on-hand as petty cash, in violation of state law.

- Receipts for cash payments were not issued as directed by the West Virginia State Treasurer's Office Cash Receipts Handbook.

- The Department did not have a standard or policy for daily itemized reconciliations of cash receipts or regular cash counts.

- Cash was not being deposited within one business day, in accordance with West Virginia Code §12-2-2. Some collection points report that deposits were made on a biweekly basis and in some instances, deposits lagged collection by a month or more.

While all state entities that handle cash are required to have their own policies and procedures, the West Virginia State Treasurer's Office (WVSTO) Cash Receipts Handbook also provides minimum requirements and guidelines for the proper receiving, handling, and safeguarding of cash and cash equivalents by spending units and their employees. The various requirements established for spending units authorized to collect cash receipts include:

- Establish documented policies and procedures governing collecting, handling, and depositing cash;

- Proper and secure storage of cash receipts upon collection;

- Cash counts and daily reconciliations to verify amounts collected and deposited;

- Issuance and maintenance of itemized receipts;

- Requirement that all cash collections must be deposited within one business day; and

- Spending units are required to record bank deposits into wvOASIS within one business day.

Subsequent to this review, the Department of Tourism established and implemented new written policies and procedures to govern its cash handling activities. In addition, the Department undertook a review of all cash collection points for ACH and reduced cash receipt activities where appropriate, such as processing Goldenseal subscription payments online or ceasing gift shop operations in locations with low transaction volume. The Department's newly established policies mirror and incorporate the requirements set forth in the WVSTO Cash Receipt Handbook.

In addition, the Department of Tourism indicated to the Legislative Auditor that Arts, Culture, and History had not appropriately collected and/or remitted sales tax collections since approximately 2015. The Department of Tourism self-reported this issue to the West Virginia Tax Department and worked with Tax to remedy the issue.

In October, a settlement was reached, covering the four-year period from January 1, 2020, through December 31, 2024, whereby the Department was assessed and paid a total of $122,025 to cover the sales taxes not previously remitted.

Asset Inventories Were Not Properly and Accurately Maintained By Arts, Culture, and History. The Last Formal Physical Inventory of Department Assets Was Conducted in 2020. Additionally, Management and Stewardship of the State Museum's Special Collections Requires Significant Improvements.

According to data provided by the Department of Tourism, the merger with Arts, Culture, and History gave the Department added responsibility for tens of thousands of new assets. Tourism indicated that prior to July 1, 2025, the Department was responsible for approximately 70 fixed assets in the wvOASIS Fixed Asset Module and approximately 200 additional items outside of the official inventory record. After the merger, the Department gained an estimated 4,000 assets in the wvOASIS Fixed Assets Module and over 10,000 assets outside of the wvOASIS record. In addition to these, Tourism also gained responsibility for nearly 34,000 "artifact records" representing items in the State Museum's Special Collections Inventory.

Tourism officials quickly noted various concerns and issues with the management and stewardship of assets belonging to Arts, Culture, and History:

- No assets had been added to the wvOASIS Fixed Asset Module since 2020, indicating that asset inventories had not been properly and accurately completed in over five years;

- Although annual inventory counts are required to be certified with the Department of Administration annually, ACH had last certified a physical inventory count in 2023;

- Tourism staff noted that there was no record of asset surpluses or IT item retirements; and

- A limited review of ACH purchasing records from FY 2024 – FY 2025 identified 25 laptop or PCs purchased by ACH, totaling nearly $40,000 in state-owned assets, that were not properly recorded in the wvOASIS Fixed Assets Module, as required by W.Va. Code.

While acknowledging that correcting these issues represents a major undertaking, the Department indicated that in response to the issues identified with ACH's fixed assets inventory, it has initiated the following actions:

- Developed an internal corrective action plan in June of 2026. The process began with surplusing and retiring assets, as appropriate, to remove previously disposed of assets from its inventory record (900+ items to date);

- Transitioned current staff into a position focused on asset management;

- Developed and implemented a revised Fixed Asset Policy; and

- Obtained waivers from the Department of Administration regarding annual certifications of fixed assets to allow the Department additional time to correct its inventory records.

Finally, the Legislative Auditor noted that the West Virginia State Museum did not have updated policies and procedures governing the maintenance and inventory of its special collections assets. Tourism indicated that Museum staff have reported over 34,000 artifact records.

In addition, the State Museum did not have a singular inventory record that accurately tracked all of the Museum's assets. Rather, the Legislative Auditor determined that the State Museum had three separate inventory records—a paper-based filing system, an outdated Linux-based database, and a newer electronic database—with overlap and inconsistencies present across the three inventory records.

The Department of Tourism acknowledged that this is an area that requires significant improvements. The Department has added additional staff to focus on collection management and stewardship. In addition, it has begun the process of updating its collections policy, which includes having the new policy reviewed and approved by the History and Archives Commission. The Department indicates that it plans to file its revised policy as a Legislative Rule as an update to the current rule, which was last updated in 1993.

The Department also indicates that it is eliminating the multiple, duplicative, and incomplete inventory systems that have previously been used for the State Museum. As of June 2026, the Department is in the process of entering all items into one database system, "Proficio," which is designed for museum collections. However, with over 34,000 artifact records to sort and enter, the Department acknowledges that this endeavor will take additional time to ensure each item is inventoried and no duplication occurs, even with the additional staffing resources it has dedicated to the task. The Legislative Auditor recommends that the Department of Tourism continue to work through its internal corrective action plan to resolve the issues present in the inventory systems for the former Department of Arts, Culture, and History.

Recommendations

1. The Legislative Auditor recommends that the Department of Tourism continue to ensure all financial obligations are accounted for timely and appropriately.

2. The Legislative Auditor recommends that the Department of Tourism continue to work through its internal corrective action plan to resolve the issues present in the inventory systems for the former Department of Arts, Culture, and History.

WEST VIRGINIA®
DEPARTMENT OF TOURISM

Date: September 14, 2026

Adam Fridley
1900 Kanawha Blvd East, Room W-329
Charleston, WV 25305-0610

Re: Department of Tourism Response to the Legislative Auditor's August 31, 2026 Report on the Former Department of Arts, Culture and History under the Department of Tourism

Mr. Fridley,

Thank you for the summary report on key findings from your investigation of the Department of Arts, Culture and History's fiscal management during the time leading up to our departmental merger in July 2025.

As noted in the report, the Department of Tourism leadership approached the Legislative Auditor's Office with concerns about the former Department of Arts, Culture and History's fiscal management during the 2025 Regular Legislative Session. From the time staff self-reported concerns, we have worked closely with your office to identify, document, and correct the identified issues.

The Department agrees with your summary report regarding the following key areas of concern and subsequent corrective action:

- Division-level fiscal management
- Department-wide cash handling activities
- Asset inventories for both the Department's operational assets and the State Museum's special collections

We have spent the last year identifying and correcting these issues. The Department of Tourism's newly added sections (formerly Department of Arts, Culture and History) have made marked improvements as your report indicates.

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Regarding asset inventories, a substantial amount of staff time and resources are still required to rectify the issues that were encountered at the time of the merger.

The Department has experienced challenges with retaining a fixed assets coordinator to focus on this important work. A new employee taking on this role as Inventory Control Coordinator will be starting work on October 5, 2026.

Staff turnover on the State Museum team has also slowed the Department's progress on streamlining the State Museum's collections management systems. We remain committed to this important aspect of the Department's asset management.

The Department is in agreement with your recommendations:

- Department staff will continue to ensure all financial obligations are accounted for timely and appropriately
- Department staff will continue to work through its internal corrective action plan to resolve the issues present in the inventory systems for the former Department of Arts, Culture, and History.

Thank you for all you do to ensure stewardship of tax payer dollars and state assets, as well as your guidance on these matters

Kayla Kessinger
Cabinet Secretary
West Virginia Department of Tourism

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