

STATE OF WEST VIRGINIA

**AUDIT REPORT
OF**

WEST VIRGINIA REAL ESTATE APPRAISER

LICENSING AND CERTIFICATION BOARD

FOR THE PERIOD

APRIL 1, 1995 - DECEMBER 31, 1997



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

**WEST VIRGINIA REAL ESTATE APPRAISER
LICENSING AND CERTIFICATION BOARD
FOR THE PERIOD
APRIL 1, 1995 - DECEMBER 31, 1997**

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Theiford L. Shanklin, CPA, Director
Legislative Post Audit Division
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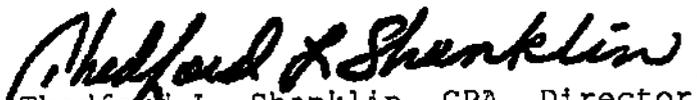
CHARLESTON, WEST VIRGINIA 25305-0610

The Joint Committee on Government and Finance:

In Compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of West Virginia Real Estate Appraiser Licensing and Certification Board.

Our examination covers the period April 1, 1995 through December 31, 1997. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,


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

TLS/cal

WEST VIRGINIA REAL ESTATE APPRAISER

LICENSING AND CERTIFICATION BOARD

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**WEST VIRGINIA REAL ESTATE APPRAISER
LICENSING AND CERTIFICATION BOARD
EXIT CONFERENCE**

We held an exit conference on November 12, 1998 with the Executive Director of the West Virginia Real Estate Appraiser Licensing and Certification Board and all findings and recommendations were reviewed and discussed. The above official's responses are included in italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks section of this report.

**WEST VIRGINIA REAL ESTATE APPRAISER
LICENSING AND CERTIFICATION BOARD**

INTRODUCTION

The West Virginia Real Estate Appraiser Licensing and Certification Board was created by Chapter 165 of the Acts of the Regular Session of the 1990 West Virginia Legislature and codified in Chapter 37, Article 14 of the West Virginia Code.

The Board consists of nine members. Each member is to be a resident of West Virginia. The members are appointed by the Governor with the advice and consent of the West Virginia State Senate. Four members of the Board shall be real estate appraisers and two shall be selected from financial institutions. The remaining three members "shall not be engaged in the practice of real estate appraisal, real estate brokerage or sales, or have any financial interest in such practices."

The offices of the West Virginia Real Estate Appraiser Licensing and Certification Board are located at Suite 101, 2110 Kanawha Boulevard East, Charleston, West Virginia.

WEST VIRGINIA REAL ESTATE APPRAISER

LICENSING AND CERTIFICATION BOARD

BOARD MEMBERS AND SENIOR STAFF

December 31, 1997

Board Members

David H. Shields	Chairman
Bluefield, West Virginia	
Glenn H. Rohr	Secretary
Buckhannon, West Virginia	
David Burch	Member
Hamlin, West Virginia	
Larry M. McDaniel	Member
Parkersburg, West Virginia	
Tammy J. Owen	Member
Charleston, West Virginia	
Linda K. Petrella	Member
Charleston, West Virginia	
Gary Smith	Member
Belle, West Virginia	
Larry Puccio	Member
Fairmont, West Virginia	
Vacancy	Member

Senior Staff

Si H. Galperin (February 20, 1991-December 31, 1997)	Executive Director
Charleston, West Virginia	
Sharron Knotts (January 1, 1998-Present)	Executive Director
Ivy Dale, West Virginia	

**WEST VIRGINIA REAL ESTATE APPRAISER
LICENSING AND CERTIFICATION BOARD**

SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

Incorrect Separation Pay Calculations

1. We noted two employees who terminated employment with the Board during our audit period received incorrect separation pay. One was underpaid \$1,223.92 and another was overpaid \$95.42.

We recommend the Board comply with Chapter 5, Article 5, Section 3 of the West Virginia Code and the Attorney General's Opinions No. 2 and 37. We also recommend the Board pay the underpaid employee \$1,223.92 and attempt to collect the \$95.42 overpayment from the other employee.

Board's Response

I DISAGREE WITH THIS FINDING. We will research this finding, and if found to be accurate, we will comply. (See pages 6-9.)

Leave Record Calculation

2. We noted numerous errors in leave balances. The Board accrues and charges sick and annual leave based on an eight hour work day, however, their work day is only seven hours.

We recommend the Board correct all leave balances and in the future compute sick and annual leave based on hours worked and comply with Section 15.03 of the Division of Personnel Administrative Rule.

Board's Response

I disagree with this finding. We will research this finding, and if found to be accurate, we will comply. (See pages 9-11.)

Inadequate Inventory Records

3. Since June 1997 the Board has not maintained adequate inventory records. The inventory records did not include the name and address of the vendor, the date of the purchase, nor the price paid for the property.

We recommend the Board comply with Section 3 of the Purchasing Division Inventory Management and Surplus Property Disposition Policies and Guidelines.

Board's Response

We will comply with these findings. (See pages 11 and 12.)

**WEST VIRGINIA REAL ESTATE APPRAISER
LICENSING AND CERTIFICATION BOARD**

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the West Virginia Real Estate Appraiser Licensing and Certification Board. The audit covered the period April 1, 1995 through December 31, 1997.

SPECIAL REVENUE ACCOUNT

All expenditures required for the general operations of the Board are made from the Special Revenue Operating Fund Number 8501-099/640.

COMPLIANCE MATTERS

Chapter 37, Article 14 of the West Virginia Code generally governs the West Virginia Real Estate Appraiser Licensing and Certification Board. We tested applicable sections of the above plus general State regulations and other applicable chapters, articles, and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are discussed below.

Incorrect Separation Pay Calculations

An employee who retired on December 31, 1997 had an audited annual leave balance of 40.79 days and an agency balance of 40.29 days. The employee elected to receive the annual leave in a lump sum payment. His lump sum payment was calculated by the

Payroll Division of the Auditor's Office using the week days in the 40.29 day period and not prorating the annual increment due. The total paid to the employee was \$7,418.64. We calculated the lump sum payment using the following Chapter 5, Article 5, Sections 2 and 3 of the West Virginia Code and the Attorney General's Opinions 3 and 37. According to our calculations the employee should have been paid \$8,417.56 for the annual leave, and \$225.00 for the accrued pro rata share increment payment, for a total of \$8,642.56. This reflects an underpayment of \$1,223.92.

Another employee resigned on March 31, 1997. The last pay check was on May 16, 1997 for \$256.04. Our calculation indicates this employee should have been paid \$169.62. This reflects an overpayment of \$95.42.

Chapter 5, Article 5, Section 3 of the West Virginia Code, states in part,

"...The lump sum payment shall be made by the time of what would have been the employee's next regular pay day had his employment continued. In determining the amount of annual leave entitlement, weekends, holidays or other periods of normal, noncountable time shall be excluded,..."

The Attorney General's Opinion No. 3 dated August 17, 1988 concerning Chapter 5, Article 5, Section 3 of the West Virginia Code, states in part,

"...Thus, although an eligible employee will not be remaining on the payroll, but instead will be electing and exercising his option to lump sum payment; nevertheless, the calendar

month of the date of his last day on the payroll and/or subsequent calendar months must be used to determine the countable days against which his accrued annual leave days are applied and credited and the full month's and/or portion of a month's salary for which he is entitled, such is to be computed by first striking from consideration as excludable, the aforesaid weekend days, holidays, or other noncountable time, and thereafter determining the fractional part of the monthly salary which is to constitute such lump sum payment, with the numerator thereof being the accrued leave days of an employee remaining and applicable in such month and the denominator thereof being the countable days of such month remaining after the aforesaid exclusions..."

The Attorney General's Office Opinion No. 37 dated June 27, 1990 concerning Chapter 5, Article 5, Section 2 of the West Virginia Code, states in part,

"Entitlement to accrued pro rata share of increase owing on final day of employment. - Considering that this section's incremental increase constitutes part of an eligible state employee's regular pay for services previously rendered, any such employee has a statutory right to any accrued pro rata share of that increment owing but not due on his final day of employment. By entitlement to a pro rata share, it is meant that an employee who does not work an entire fiscal year is entitled to a fractional portion of the total increment to which the employee would have been entitled had he been employed during the entire fiscal year...."

It appears the difference made in the calculation of the retiree's separation pay resulted from non payment of pro rata increment, and holidays not being excluded as set out in the Attorney General's Opinion for separation pay. We were unable to

determine the reason for the error made in the resigned employees' separation pay.

We recommend the Board comply with Chapter 5, Article 5, Section 3 of the West Virginia Code and the Attorney General's Opinions No 2. and 37. We also recommend the Board pay the retired employee \$1,223.92 and attempt to collect \$95.42 overpayment from the employee that resigned.

Board's Response

I DISAGREE WITH THIS FINDING. We will research this finding, and if found to be accurate, we will comply.

Leave Record Calculations

Office hours for the Board are from 8:00 a.m. to 4:00 p.m. which includes a one hour lunch period. Therefore, Board employees have a seven hour work day, but their leave accrual is computed based on an eight hour work day. Leave balances are maintained in hours. We were told by Board personnel that the Board follows the Division of Personnel Rules and Regulations.

Title 42, Series 8, Section 9.8 of the Division of Labor's Legislative Rules define mealtime as follows:

"9.8. Mealtime. -- Bona fide meal periods are not work time."

Section 15.03 of the Division of Personnel Administrative Rules states in part,

"...Annual leave cannot be accrued for hours not paid nor for hours worked beyond the normal work week which shall not exceed 40 hours."

The differences in sick and annual leave balances which we calculated based on seven hour work days and, agency balances which were calculated based on an eight hour work day are shown in the following schedules.

ANNUAL LEAVE EXPRESSED IN HOURS

<u>Employee No.</u>	<u>Audited Balance</u>	<u>Agency Balance</u>	<u>Difference Overstated/ (Understated)</u>
1	285.50	324.00	38.50
2	(0.50)	0.00	0.50
3	110.30	71.50	(38.80)
4	(4.38)	0.00	4.38
5	406.35	462.45	56.10
6	141.31	161.50	20.19

In one instance in the previous table the annual leave balance for an employee was understated. This difference was caused by a clerical error.

SICK LEAVE EXPRESSED IN HOURS

<u>Employee No.</u>	<u>Audited Balance</u>	<u>Board's Balance</u>	<u>Difference Overstated/ (Understated)</u>
1	798.50	911.50	113
2	467.75	520.25	52.5
3	10.56	12	1.44
4	(1.75)	0.00	1.75
5	488.96	559.30	70.34
6	475.16	543.00	67.84

This method of accruing leave not only overstates the leave accrual and leave balance, but may result in an erroneous amount being charged when leave is taken in increments other than full days. The method described above may result in an insufficient amount of leave being charged to the employees' balance, which further overstates the leave balance. The accruals based on an eight hour day compared to a seven hour work day for one year is as follows.

<u>Sick Leave</u>	<u>Seven Hr. Day</u>	<u>Eight Hour Day</u>	<u>Difference In Hours</u>
	126.00	144.00	18.00
0-5 Years	105.00	120.00	15.00
5-10 Years	126.00	144.00	18.00
10-15 Years	147.00	168.00	21.00
15-20 Years	168.00	192.00	24.00

We recommend the Board correct all leave balances and in the future compute sick and annual leave based on seven hour days and comply with Section 15.03 of the Division of Personnel Administrative Rule.

Board's Response

I disagree with this finding. We will research this finding and if found to be accurate, we will comply.

Inadequate Inventory Records

Since June 1997, the Board has not maintained inventory records that include the name and address of the vendor, the date of the purchase, and the price paid for the property.

Section 3 of the Purchasing Division Inventory Management and Surplus Property Disposition Policies and Guidelines states in part,

"...The inventory shall contain the name and address of the vendor, the date of the purchase, the price paid for the property, and any other elements deemed necessary by the Director of the Purchasing Division...."

Without the required information the Board does not have a complete equipment inventory. A list of equipment purchased after June, 1997 was available, however, the Board employees had not included the information required for an inventory.

We recommend the Board comply with Section 3 of the Purchasing Division Inventory Management and Surplus Property Disposition Policies and Guidelines.

Board's Response

We will comply with these findings.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

As part of our examination, we reviewed and tested the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes the cost of a system on internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further projection of any evaluation of internal accounting control to future periods is subject to the risk the procedures may become inadequate because of changes in conditions and the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting control for the period April 1, 1995 to December 31, 1997, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed conditions we believe to be weaknesses.

STRENGTHEN INTERNAL CONTROLS OVER COMPLIANCE

As indicated by the items noted in the "Compliance Matters" section of this report, we believe the West Virginia Real Estate Appraiser Licensing and Certification Board should strengthen internal controls in the area of compliance with the West Virginia Code and various rules and regulations which control the Board's operations. We believe weaknesses in the internal control structure exist in the following areas as evidenced by the compliance findings:

1. Inventory Records;
2. Separation Pay Calculations; and,
3. Sick and Annual Leave Calculations

We recommend the Board strengthen or establish the necessary internal controls to better ensure compliance with the West Virginia Code and other administrative rules and regulations which govern the operations of the Board.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of revenues, expenditures and changes in cash balance of the West Virginia Real Estate Appraiser Licensing and Certification Board for the period ended December 31, 1997 and the years ended June 30, 1997 and June 30, 1996. The financial statement is the responsibility of the management of the West Virginia Real Estate Appraiser Licensing and Certification Board. Our responsibility is to express an opinion on the financial statement based on our audit.

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

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenses paid of the West Virginia Real Estate Appraiser Licensing and Certification Board for the period ended December 31, 1997 and years ended June 30, 1997 and June 30, 1996 on the basis of accounting described in Note A.

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

Sincerely,

A handwritten signature in black ink that reads "Thedford L. Shanklin". The signature is written in a cursive style with a large, prominent initial 'T'.

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

April 13, 1998

Auditors: Michael House, CPA, Supervisor
Ethelbert Scott, Jr.

WEST VIRGINIA REAL ESTATE APPRAISER LICENSING AND CERTIFICATION BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET AND ACTUAL

	<u>Period Ended December 31, 1997</u>		
	<u>Budget</u>	<u>Actual</u>	<u>(Over)/Under</u> <u>Budget</u>
Revenues:			
Other Registration Fees	\$ 0.00	\$ 0.00	\$ 0.00
Other Collections, Fees, Licenses, and Income	<u>140,000.00</u>	<u>139,407.63</u>	<u>592.37</u>
	140,000.00	139,407.63	592.37
Expenditures:			
Personal Services	102,514.00	49,575.54	52,938.46
Employee Benefits	27,170.00	9,950.55	17,219.45
Current Expenses	67,950.00	25,442.63	42,507.37
Repairs and Alterations	0.00	155.00	(155.00)
Equipment	7,000.00	408.94	6,591.06
Transfer of Federal Registry Fees	<u>14,000.00</u>	<u>450.00</u>	<u>13,550.00</u>
	<u>218,634.00</u>	<u>85,982.66</u>	<u>132,651.34</u>
Revenues (Under)/Over Expenditures	(78,634.00)	53,424.97	(132,058.97)
Beginning Balance	<u>275,000.00</u>	<u>276,670.55</u>	<u>(1,670.55)</u>
Ending Balance	<u>\$196,366.00</u>	<u>\$330,095.52</u>	<u>(\$133,729.52)</u>

See Notes to Financial Statement

<u>Year Ended June 30, 1997</u>			<u>Year Ended June 30, 1996</u>		
<u>Budget</u>	<u>Actual</u>	<u>(Over)/Under</u> <u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Over)/Under</u> <u>Budget</u>
\$ 0.00	\$ 2,255.00	\$(2,255.00)	\$ 0.00	\$ 0.00	\$ 0.00
<u>140,000.00</u>	<u>145,627.00</u>	<u>(5,627.00)</u>	<u>150,000.00</u>	<u>147,962.15</u>	<u>2,037.85</u>
140,000.00	147,882.00	(7,882.00)	150,000.00	147,962.15	2,037.85
93,696.00	86,274.37	7,421.63	77,976.00	75,050.80	2,925.20
23,120.00	24,343.10	(1,223.10)	22,360.00	21,814.47	545.53
64,325.00	53,910.44	10,414.56	66,500.00	43,004.21	23,495.79
0.00	0.00	0.00	0.00	0.00	0.00
7,000.00	561.49	6,438.51	11,500.00	8,153.35	3,346.65
<u>14,000.00</u>	<u>13,425.00</u>	<u>575.00</u>	<u>16,000.00</u>	<u>14,225.00</u>	<u>1,775.00</u>
<u>202,141.00</u>	<u>178,514.40</u>	<u>23,626.60</u>	<u>194,336.00</u>	<u>162,247.83</u>	<u>32,088.17</u>
(62,141.00)	(30,632.40)	(31,508.60)	(44,336.00)	(14,285.68)	(30,050.32)
<u>298,589.00</u>	<u>307,302.95</u>	<u>(8,713.95)</u>	<u>314,375.00</u>	<u>321,588.63</u>	<u>(7,213.63)</u>
<u>\$236,448.00</u>	<u>\$276,670.55</u>	<u>(\$40,222.55)</u>	<u>\$270,039.00</u>	<u>\$307,302.95</u>	<u>(\$37,263.95)</u>

WEST VIRGINIA REAL ESTATE APPRAISER

LICENSING AND CERTIFICATION BOARD

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policies

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

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employee contributions are 4½% of this compensation and employees are vested under certain circumstances. The West Virginia Real Estate Appraiser Licensing and Certification Board matches contributions at 9½% of the compensation on which the employee made contributions. The West Virginia Real Estate Appraiser Licensing and Certification Board's pension expenditures were as follows:

<u>Period Ended</u>	<u>Year Ended June 30,</u>	
<u>December 31, 1997</u>	<u>1997</u>	<u>1996</u>
<u>\$3,412.98</u>	<u>\$7,737.10</u>	<u>\$6,727.75</u>

SUPPLEMENTAL INFORMATION

**WEST VIRGINIA REAL ESTATE APPRAISER LICENSING
AND CERTIFICATION BOARD**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGE IN CASH BALANCE**

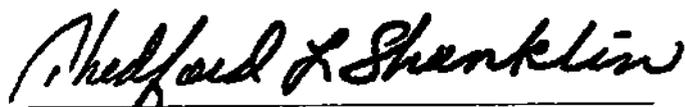
	<u>Period Ended</u> <u>December 31,</u> <u>1997</u>	<u>Year Ended June 30,</u> <u>1997</u> <u>1996</u>	
<u>Appraiser Licensing Certification</u>			
<u>Board - Fund 8501-099/640</u>			
Cash Receipts:			
Other Registration Fees	\$ 0.00	\$ 2,255.00	\$ 0.00
Other Collections, Fees, Licenses, and Income	<u>139,407.63</u>	<u>145,627.00</u>	<u>147,962.15</u>
	139,407.63	147,882.00	147,962.15
Disbursements:			
Personal Services	49,575.54	86,274.37	75,050.80
Employee Benefits	9,950.55	24,343.10	21,814.47
Current Expenses	25,442.63	53,910.44	43,004.21
Repairs and Alterations	155.00	0.00	0.00
Equipment	408.94	561.49	8,153.35
Transfer of Federal Registry Fees	<u>450.00</u>	<u>13,425.00</u>	<u>14,225.00</u>
	<u>85,982.66</u>	<u>178,514.40</u>	<u>162,247.83</u>
Cash Receipts Over/(Under) Disbursements	53,424.97	(30,632.40)	(14,285.68)
Beginning Balance	<u>276,670.55</u>	<u>307,302.95</u>	<u>321,588.63</u>
Ending Balance	<u>\$330,095.52</u>	<u>\$276,670.55</u>	<u>\$307,302.95</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR TO WIT:

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

Given under my hand this 16th day of November
1998.


Thedford L. Shanklin, CPA, Director

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the West Virginia Real Estate Appraiser Licensing and Certification Board; Governor; Attorney General; and, State Auditor.