

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

WEST VIRGINIA DIVISION OF FORESTRY

FOR THE PERIOD

JULY 1, 2004 - JUNE 30, 2006



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA DIVISION OF FORESTRY

FOR THE PERIOD

JULY 1, 2002 - JUNE 30, 2005

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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CHARLESTON, WEST VIRGINIA 25305-0610

To the Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the West Virginia Division of Forestry.

Our examination covers the period July 1, 2002 through June 30, 2005. The results of the examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 2005 and June 30, 2004 are included in this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Theford L. Shanklin".

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

TLS/gc

WEST VIRGINIA DIVISION OF FORESTRY

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WEST DIVISION OF FORESTRY
EXIT CONFERENCE

We held an exit conference on July 19, 2007 with the Director and other representatives of the West Virginia Division of Forestry and all findings and recommendations were reviewed and discussed. The Division's responses are included in bold and italics in the Executive Summary and after our findings in the General Remarks section of this report.

WEST VIRGINIA DIVISION OF FORESTRY

INTRODUCTION

The West Virginia Division of Forestry was created by an Act of the Legislature on July 1, 1985, as set forth in Chapter 19, Article 1A, Section 3 of the West Virginia Code, as amended. In 1989, the Division of Forestry was transferred to and became a division of the Department of Commerce, Labor and Environmental Resources.

The purpose of the Division of Forestry is to promote West Virginia products; promote new forest products industries; develop existing forest product industries; promote coordination of state forests resources; advise the governor and the Legislature on all aspects of forestry, the management of state forests for conservation and preservation of wildlife, fish, forest species, natural areas, aesthetic and scenic values and to provide developed and undeveloped outdoor recreational opportunities, and hunting and fishing for the citizens of this state and its visitors.

The Division of Forestry has within its jurisdiction and supervision the state forests, other forests and woodland areas, the protection of forest areas from injury and damage by fire, disease, insects and other pestilence and forces, the management of forest areas for natural resources, conservation and undeveloped recreational activities, administration of the Southeastern Interstate Forest Fire Protection Compact and other compacts and agreements relating to forest management and husbandry, and the administration and enforcement of laws relating to the conservation, development, protection, use and enjoyment of all forest land areas of the state consistent with Sections 1 and 2 of Article 1A, Chapter 19 of the West Virginia Code, as amended.

Additionally, under the provisions of Chapter 19, Article 1A, Section 3a of the West Virginia Code, the Division of Forestry has jurisdiction to regulate the digging, possession and sale of native, wild or cultivated ginseng.

WEST VIRGINIA DIVISION OF FORESTRY

ADMINISTRATIVE OFFICERS AND STAFF

AS OF JUNE 30, 2005

Charles R. Dye Director/State Forester

Dan KincaidDeputy State Forester

Matthew B. Dillon Assistant State Forester, Forest Protection

Todd A. Groh Assistant State Forester, Management and Stewardship

Gregory W. Cook..... Assistant State Forester, Water Quality and
Logging Sediment and Control Act

Edward C. MurrinerAssistant State Forester, Resource
Inventory and Sawmill Assistance

JoAnn P. Harris Administrative Secretary

Thomas L. McClure Chief Financial Officer
(November 16, 2004 to June 30, 2005)

Vacant Chief Financial Officer
(August 19, 2004 to November 15, 2004)

Robert Stigall Chief Financial Officer
(July 1, 2003 to August 18, 2004)

Patricia E. Carney Accounting Technician III

Shari M. Parsons Payroll and Human Resource Assistant

Arthur J. Yagel..... Forest Investigator

John W. Bird Forest Investigator

Donald J. Kelley..... Forest Investigator

Andrew I. Sheetz..... Partnership Coordinator

Robin S. BlackOffice Assistant III

ADMINISTRATIVE OFFICERS AND STAFF

Reginia Bays Office Assistant II
June H. Mandel Office Assistant II
David K. McCurdy..... Superintendent, Clements Nursery
Jason L. Huffman.....Assistant Superintendent, Clements Nursery
Mary L. VanMeter Office Assistant II, Clements Nursery
Barbara A. Breshock.....State Lands Management Supervisor

WEST VIRGINIA DIVISION OF FORESTRY

EXECUTIVE SUMMARY

Lack of Effective System of Internal Controls

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

Auditors' Recommendation

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

Spending Unit's Response

I concur with the findings of the post audit team which indicates a lack of adequate and effective internal control systems. (See pages 14-17)

Lack of Supporting Documentation

2. We were unable to audit fiscal year 2003 transactions because the WVDOF was unable to locate the supporting documentation for \$4,932,664.90 and \$7,554,969.19 of receipts and disbursements, respectively. Also, the WVDOF did not maintain time sheets to support six months of personal services and the corresponding employee benefits expenditures totaling \$2,593,217.40 during the fiscal year ended June 30, 2004. Further, lack of accounting records precluded us from determining that receipts due the West Virginia Division of Forestry were collected for fire suppression recoveries, patroller wage reimbursements, civil penalties for violations of forestry statutes, and fees for timber and logger licenses for the years ended June 30, 2005 and June 30, 2004. Finally, we noted lack of supporting documentation for 10 transactions selected for testing totaling \$5,933.38 and the WVDOF does not require the Chief Financial Officer to prepare time sheets. Without supporting documentation, we are unable to determine if the above transactions were made in accordance with the laws, rules and regulations that govern them. We have qualified our "Independent Auditor's Report" to reflect our inability to provide an opinion on the above transactions for the two-year period ended June 30, 2005.

Auditors' Recommendation

We recommend the WVDOF comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and maintain supporting documentation for transactions.

Spending Unit's Response

I concur with the findings of the post audit team which indicates a lack of supporting documentation. (See pages 17-20)

Compensatory Leave Used to Extend Retirement Service Credit

3. Because of clerical error, the WVDOF included 33 hours of compensatory leave time in the sick and annual leave balances reported to the West Virginia Consolidated Retirement Board (CPRB) which were used to extend service credit for a retiring employee. The inclusion of the compensatory leave in the reported balances resulted in the extension of the retiree's service credit by one month and increased his monthly annuity by \$7.76. The retiree also was compensated \$800.61 for his compensatory leave at his retirement date.

Auditors' Recommendation

We recommend the WVDOF comply with Chapter 5A, Article 10, Section 15a of the West Virginia Code, notify the CPRB of the reporting error, and strengthen internal controls over personal services.

Spending Unit's Response

I concur with the post audit team findings that compensatory leave was used to extend retirement service credit for one employee. (See pages 20-22)

Inaccurate Leave Records

4. Our sick and annual leave test revealed 10 instances of inaccurate leave postings to the leave records for five of 20 employees selected for testing during the two-year period ended June 30, 2005 resulting in a cumulative total of 13.25 hours of leave taken per the time sheets that was not recorded on the leave accrual records. Based on our test, we estimate approximately 30 of the total 118 employees (25%) may have sick and annual leave accrual record errors. The WVDOF does not have a procedure in place that compares leave time taken on the employee time sheets to leave accrual records.

Auditors' Recommendation

We recommend the WVDOF comply with Section 14.14 of the Administrative Rule of the Division of personnel and strengthen internal controls over annual and sick leave records.

Spending Unit's Response

I concur with the findings of the post audit team regarding inaccurate leave records. (See pages 22 and 23)

Overtime Compensation Not Paid In a Timely Manner

5. We noted an employee did not receive timely payment for \$520.20 of overtime compensation earned. For the week ending October 10, 2003, the employee earned 24 hours of overtime which was paid on December 16, 2003. The Federal "Fair Labor Standards Act of 1938" requires payment not be delayed for a period longer than is reasonably necessary for the employer to compute and arrange for payment of the amount due and in no event may payment be delayed beyond the next payday after such computation can be made. The WVDOF received the above employee's time sheet on October 27, 2003.

Auditors' Recommendation

We recommend the WVDOF comply with Section 778.106 of the "Fair Labor Standards Act of 1938", as amended, and strengthen internal controls over the timely payment of overtime compensation.

Spending Unit's Response

I concur with the post audit team's finding that overtime compensation was not paid in a timely manner for one employee. (See pages 23 and 24)

Vehicles

6. During our audit period, each of the 126 WVDOF vehicles were issued three different gasoline service station credit cards, as well as a Division of Highway's gas card. The WVDOF did not have a system in place to monitor employee purchases made on these cards. Subsequent to the date of our audit, the WVDOF ceased using the above mentioned service station cards and currently makes purchases for fuel and other accessories from the Department of Administration Fleet Management Office's vendor. Secondly, the WVDOF did not obtain motor vehicle records (MVR) of employees bi-annually in noncompliance with the WVDOF's internal vehicle policy.

Auditors' Recommendation

We recommend the WVDOF implement a system of internal control to effectively monitor vehicle expenses and obtain MVR's in compliance the "Driver Evaluation" section of the WVDOF "Vehicle Operation Policy".

Spending Unit's Response

I concur with the findings of the post audit team regarding non-compliance with the vehicle operating policy. (See pages 25-27)

Equipment Inventory

7. During our test of equipment, we found the WVDOF's inventory did not include 26 reportable assets totaling approximately \$73,000; further, the vehicle inventory was overstated by approximately \$63,000 because two vehicles were recorded twice in the inventory and one vehicle which was "totaled" in an accident was not removed from the inventory. Finally, we noted no tag numbers were affixed to three trailers.

Auditors' Recommendation

We recommend the WVDOF maintain equipment inventory in compliance with Section 3, Subparts 11, 12 and 15 of the Purchasing Division's Inventory Management and Surplus Property Disposition Policies and Guidelines.

Spending Unit's Response

I concur with all the findings of the post audit team regarding equipment. (See pages 27-30)

Employee of the Year Award and Safe Driving Incentive

8. The WVDOF bestowed a \$300 "Employee of the Year Award" to an employee and directed the employee to make \$300 of personal purchases on his State Auditor's purchasing card in noncompliance with the State Auditor's Purchasing Card Policies and Procedures. Also, the WVDOF paid a safe driving incentive of \$125 per year to certain employees who drove a WVDOF vehicles and were "accident free". We contacted the West Virginia Division of Personnel (DOP) and the DOP was unable to determine if the award had been approved by the State Personnel Board and found no approval by the DOP's Director for the safe driving incentive.

Auditors' Recommendation

We recommend the WVDOF comply with Section 6.1 of the State Auditor's "Purchasing Card Policies and Procedures" and provide incentive programs developed by the Director of the WV Divisions of Personnel in accordance with Chapter 29, Article 6, Section 7 of the West Virginia Code.

Spending Unit's Response

I concur with the findings of the post audit team regarding the awards of incentives. (See pages 30-33)

No Record of Receipts Received and Late Deposits

9. Seven of 50 deposits selected for testing (14%) contained receipts that were not deposited within 24 hours and the WVDOF did not make a daily itemized record of receipts received as required by Chapter 12, Article 2, Section 2 of the West Virginia Code. Thirteen receipts included in the above seven deposits were deposited one to 22 days late and totaled \$10,352.49.

Auditors' Recommendation

We recommend the WVDOF comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, and strengthen internal controls over receipts.

Spending Unit's Response

I concur with the findings of the post audit team in regard to the subject above. (See pages 33-35)

Printing Services Not Purchased From Correctional Industries

10. The WVDOF obtained approximately \$45,000 of printing services during the two-year period ended June 30, 2005 from the West Virginia Department of Agriculture's Print Shop instead of West Virginia Correctional Industries as required by Section 8.12 of the West Virginia Purchasing Division's "Policies and Procedures Handbook".

Auditors' Recommendation

We recommend the WVDOF comply with Section 8.12 of the West Virginia Purchasing Division's "Policies and Procedures Handbook".

Spending Unit's Response

I concur with the post audit team's findings regarding the above but take exception to their recommendation. (See pages 35 and 36)

No Purchasing Division Approval for Agreements

11. We noted four agreements for various services between the WVDOF and the West Virginia University (WVU) Research Corporation that were not preapproved by the Director of the West Virginia Purchasing Division as required by the West Virginia Purchasing Division's Policies and Procedures Handbook.

Auditors' Recommendation

We recommend the WVDOF comply with Section 8.18 of the West Virginia Purchasing Division's Policies and Procedures Handbook by obtaining approval from the Purchasing Division for agreements with WVU Research Corporation.

Spending Unit's Response

I concur with the findings of the post audit team regarding required Purchasing Division approval for agreements with West Virginia University Research Corporation. (See pages 36 and 37)

Taxable Wage Reporting for Fringe Benefits

12. The WVDOF did not report federal taxable wages for a lodging fringe benefit provided to an employee residing at the WVDOF's "Prosperity Ranger Station" located in Raleigh County, WV. Based on the Director's assertion that it was not necessary for the home to be occupied by the employee, the lodging provided to the employee was "not a condition of employment" which is an Internal Revenue Service requirement for excluding the fair market value of the lodging from the employee's taxable wages.

Auditors' Recommendation

We recommend the WVDOF comply with Publication 15-B of the "Employer's Tax Guide to Fringe Benefits" and strengthen internal controls over wage report for employee fringe benefits.

Spending Unit's Response

I concur with the findings regarding the above. (See pages 38-40)

WEST VIRGINIA DIVISION OF FORESTRY

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the West Virginia Division of Forestry (WVDOF).
The audit covered the period July 1, 2002 through June 30, 2005.

GENERAL REVENUE ACCOUNTS

The WVDOF was appropriated funds for general operations in the following general revenue accounts:

<u>Account Number</u>	<u>Description</u>
0250-001	Personal Services
0250-004	Annual Increment
0250-010	Employee Benefits
0250-047	Aerial Tanker Airplanes
0250-069	Increment - Surplus
0250-099	Unclassified
0250-243	Personal Services - Surplus
0250-250	Employee Benefits - Surplus
0250-752	Aerial Tanker Airplanes
0250-913	BRIM Premium

SPECIAL REVENUE ACCOUNTS

During the audit period, the WVDOF maintained the following special revenue accounts for the revenues and expenditures of the WVDOF operations:

<u>Account Number</u>	<u>Description</u>
3081.....	Division of Forestry Fund
3082.....	Timberland Operations Enforcement Fund
3083.....	Woodlands and Timberlands Stamp Fund
3084.....	Severance Tax Operations Fund
3089.....	Fire Management Assistance
3090.....	Gifts, Grants and Donations

Division of Forestry Fund - Account 3081

This account consists of amounts received from the sales of tree seedlings from the Clements Nursery and amounts received from the sales of timber from state forests in accordance with Chapter 19, Article 1A, Section 3 of the West Virginia Code, as amended. These funds are to be used for the purposes of Chapter 19, Article 1A and Chapter 20, Article 3 of the West Virginia Code.

Timberland Operations Enforcement Fund - Account 3082

All fees relating to the issuance of timber licenses and logger certifications and any civil penalties recovered for violations of Chapter 19, Article 1B are to be deposited to this account in accordance with Chapter 19, Article 1B, Section 8 of the West Virginia Code, as amended. These funds are to be used for the purposes of Chapter 19, Article 1B of the West Virginia Code, as amended, which is also known as the "Logging Sediment Control Act."

Woodlands and Timberlands Stamp Fund - Account 3083

This account's \$918.00 balance was expended during year ended June 30, 2005. With the exception of this transaction, the account was inactive during the audit period.

Severance Tax Operations Fund - Account 3084

In accordance with Chapter 11, Article 13A, Section 20a, Subsection (c), of the West Virginia Code, as amended, amounts collected by the State Tax Department for the privilege of severing timber are transferred to this account and appropriated by the Legislature for the purposes of the WVDOF.

Fire Management Assistance - Account 3089

This account's \$121,991.29 balance was transferred back to the Office of Emergency Services on September 16, 2005.

Gifts, Grants and Donations - Account 3090

This account was created during Fiscal Year 2005 for the purposes of Chapter 19, Article 1A, Section 4, Subsection (c) which provides for the WVDOF's acceptance and use of gifts, donations, or contributions for WVDOF purposes.

FEDERAL ACCOUNT

During our audit period, the WVDOF maintained the following accounts for grant monies received from various federal programs.

<u>Account Number</u>	<u>Description</u>
8703-096	Unclassified
8703-700	Consolidated Federal Fund - General Administration Fund

COMPLIANCE MATTERS

Chapter 19, Articles 1A and 1B and Chapter 20, Article 3 generally govern the WVDOF. 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 listed below.

Lack of Effective System of Internal Control

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

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

“The head of each agency shall:

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

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

During our audit of the WVDOF, we found the following violations of State laws or other rules and regulations: (1) We were unable to audit Fiscal Year 2003 receipts totaling \$4,932,664.90 and disbursements totaling \$7,554,969.19 because the WVDOF did not maintain supporting documentation for transactions; further, we were unable to audit six months of personal services and employee benefit expenditures totaling approximately \$2,600,000 during Fiscal Year 2004 because of lack of records. We have qualified our “Independent Auditor’s Opinion” to reflect our inability to provide an opinion on these transactions. (2) For a retiring employee who elected to use annual and sick leave to acquire additional retirement service credit, the WVDOF included approximately four days of compensatory leave in the total number of annual and/or sick leave days reported to the Consolidated Public Retirement Board (CPRB). The retiree received an additional month of service credit because of this error. (3) For five of the 20 employees selected for testing, we noted ten instances where sick and annual leave time taken on the employees’ time sheets did not equal the leave recorded on the WVDOF leave accrual record. (4) The WVDOF did not timely compensate an employee for overtime; the employee worked 24 hours of overtime during the week ending October 10, 2003 but did not receive compensation for

the hours until December 16, 2003. (5) The WVDOF does not monitor vehicle expenses and motor vehicle records (MVR) were not obtained in accordance with the WVDOF's "Vehicle Operation Policy". (6) Our test of equipment inventory revealed 26 assets totaling approximately \$73,000 were not recorded in inventory; conversely, vehicle inventory was overstated by approximately \$63,000 because two vehicles were recorded in inventory twice and an additional vehicle was not removed from inventory after being "totaled" in an accident. (7) The WVDOF did not obtain West Virginia Division of Personnel approval for two incentives, the Employee of the Year Award and the "Accident Free Incentive. Further, the employee who received the award paid, at the direction of the WVDOF, \$300 of personal charges on his purchasing card in noncompliance with purchasing card guidelines. (8) Approximately 14% of the deposits tested were not made timely and no daily itemized record of receipts received was made. (9) The WVDOF did not obtain approximately \$45,000 of printing services from Correctional Industries in noncompliance with the WV Purchasing Division's "Policies and Procedures Handbook". (10) Four agreements with WVU Research Corporation were not pre-approved by the Director of the West Virginia Purchasing Division as required by the above handbook. (11) The WVDOF is not reporting federal taxable wages for a lodging fringe benefit in noncompliance with "Publication 15-B of the Employer's Tax Guide to Fringe Benefits". Lodging is provided to a District Forest Ranger but the lodging is not a condition of his employment per the Director; therefore, the value of this fringe benefit is taxable income for federal and state purposes.

We recommend the WVDOF comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and establish an effective system of internal controls in order to allow management to identify and correct areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

Spending Unit's Response

The West Virginia Division of Forestry's last legislative audit was performed in 1987 when it was a division within the West Virginia Department of Agriculture. In 1987 the Division of Forestry became a division in the Department of Commerce. During the last five (5) years, 50% of the Division of Forestry's workforce has retired or resigned. In fact, all of the top layers of management have also retired during this period. There was no succession plan therefore, we now have a much less experienced workforce. One normally assumes that there are procedure and internal controls in place when stepping into a new management position. It gradually became apparent, as the top layer of management retired, that documented procedures and internal controls were not adequate. Therefore, in February 2005 I formally requested a legislative audit. My suspicion has been confirmed and it is now evident that there is a tremendous need for improvement.

I concur with the findings of the post audit team which indicates a lack of adequate and effective internal control systems.

Corrective Action:

- *An internal audit system will be developed no later than December 31, 2007 to ensure future compliance.*

Lack of Supporting Documentation

Because the WVDOF did not maintain supporting documentation for transactions, we were unable to perform an audit of the WVDOF's receipts and disbursements for the period July 1, 2002 - June 30, 2003 totaling \$4,932,664.90 and \$7,554,969.19, respectively, as well as personal services and corresponding employee benefits totaling \$2,593,217.40 for a six-month period during Fiscal Year 2004. Further, we were unable to determine that receipts due the WVDOF were collected for fire suppression recoveries, patroller wage reimbursements, civil penalties for violations of forestry statutes, and timber and logger licenses because the WVDOF did not maintain accounts receivable records, as well as, accurate accounting records of licenses issued during the period. We also noted other miscellaneous types of supporting documentation missing which is detailed later in this finding. Without supporting documentation and accounting records, we are unable to determine if the above receipt and disbursement transactions were made in accordance with the

laws, rules and regulations that govern them. As such, we have qualified our “Independent Auditor’s Opinion” formed on pages 40 and 41 to reflect our inability to provide an opinion on these transactions.

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

“§5A-8-9. Duties of agency heads.

The head of each agency shall:

- (a) Establish and maintain an active, continuing program for the economical and efficient management of the records of the agency.
- (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 Chief Financial Officer stated prior to 2004, the records were not kept secured in the storage facility and the WVDOF was unable to locate the records. Additionally, the WVDOF was unable to provide time sheets for WVDOF employees for the period July 2003 through September 2003 and January through March 2004. Personal services totaled \$1,888,963.10 for the above 6-month period and corresponding employees benefits totaled \$704,354.30.

Also, the WVDOF did not maintain an accurate record of timber and logger licenses issued during the period. Amounts deposited for the licenses totaled \$159,319.00 and \$188,235.00 for Fiscal Years 2005 and 2004, respectively. The WVDOF does not issue pre-numbered licenses and licensee information recorded in the WVDOF computerized license database is “overwritten” with current information whenever licensee information changes or a license is renewed. As a result, information regarding licenses issued for previous periods cannot be retrieved by the WVDOF. The office assistant responsible for the timber and logger licenses

stated she did not maintain a record of licenses issued for each year because she did not believe it was necessary to do so.

We further noted the WVDOF does not maintain accounts receivable records for fire suppression recoveries and reimbursements of patroller wages. The WVDOF deposited \$18,576.38 and \$162,843.64 for the two-year period ended June 30, 2005 for fire suppression recoveries and patroller wage reimbursements, respectively. Without receivable records, we are unable to determine amounts due the WVDOF were collected, nor are we able to identify any receivables outstanding. We further noted no collections for civil penalties during the period under audit; the statute governing penalties provides the WVDOF director “may” seek and recover such penalties for violations. We asked the Director why no penalties were received during the audit period, he told us that approximately 12 judgements for penalties had been levied since 1992 and the amounts remain uncollected. No accounts receivable for the judgements exists and the Director was unable to provide any supporting documentation regarding the penalties. Without accounting records or other types of supporting documentation for civil penalties, we are unable to determine amounts due to the WVDOF.

Other missing supporting documentation includes the support for 10 transactions selected for testing that totaled \$5,933.88 for the two-year period ended June 30, 2005. An accounting technician stated these documents must have been misfiled or misplaced. Finally, during the period under audit and subsequent to the date of this report, the WVDOF does not require time sheets to be completed by the Chief Financial Officer (CFO). Without time records, we are unable to determine if the CFO's salary and corresponding sick and annual leave taken and accrued were made in accordance with provisions of Chapter 12, Article 3, Section 13 of the West Virginia Code which states,

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

We recommend the WVDOF comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and maintain supporting documentation for transactions.

Spending Unit's Response

I concur with the findings of the post audit team which indicates a lack of supporting documentation.

Corrective Action:

- *Accounting and personal services records are now stored in locked file cabinets and storage areas.*
- *Timber and logger licenses are now recorded on an annual report and backup on a computer files.*
- *A formal accounts receivable system will be developed by December 31, 2007 to ensure accurate collection of fire suppression cost, fire patroller wage reimbursement, seedling sales, timber sale receipts, timbering and logger licenses and civil penalties for violation of the Logging Sediment Control Act.*
- *The chief financial officer is now required to file time and leave slips and is presently doing so.*

Compensatory Leave Used to Extend Retirement Service Credit

The WVDOF included 33 hours of accrued compensatory leave in the ending annual and/or sick leave balances reported to the West Virginia Consolidated Public Retirement Board (CPRB) to extend service credit for a retiring employee in noncompliance with Chapter 5, Article 10, Section 15a of the West Virginia Code which states in part,

“§5-10-15a. Retirement credited service through member's use, as option, of accrued annual or sick leave days.

Any member accruing annual leave or sick leave days may, after the effective date of this section, elect to use such days at the time of retirement to acquire additional credited service in this retirement system. Such days shall be applied on the basis of two workdays credit granted for each one day of such accrued annual or sick leave days, with each month of retirement service credit to equal twenty workdays and with any remainder of ten workdays or more to constitute a full month of additional credit and any remainder of less

than ten workdays to be dropped and not used, notwithstanding any provisions of the code to the contrary, including section twelve, article sixteen of this chapter. Such credited service shall be allowed and not deemed to controvert the requirement of no more than twelve months credited service in any year's period."

The above statute provides for the extension of service credit using annual and/or sick leave but not compensatory leave time. The WVDOF employee retired, effective June 1, 2005, with the following leave balances:

	<u>Ending Balance 05/31/2005</u>	
<u>Type of Leave</u>	<u>Hours</u>	<u>Days</u>
Sick	4,818.50	602.31
Annual	400.00	50.00
	33.00	4.13
	<u>\$5,251.50</u>	<u>\$656.44</u>

An affidavit prepared by the WVDOF Personnel Assistant to the CPRB reported total number of annual and/or sick leave accrued by the employee and not paid for at the time employment ceased as 656.44 days, instead of 652.31 days. The effect of including compensatory leave in the reported balances resulted in the extension of service credit by one month. The CPRB calculated the retiree's \$3,879.44 monthly annuity based on 41 years and 8 months of service credit; we recalculated the monthly annuity as \$3,871.68 based on service credit of 41 years and 7 months for a \$7.76 monthly annuity difference. We also noted the retiree was compensated \$800.61 for his compensatory leave on the May 31, 2005 payroll. The Personnel Assistant stated the inclusion of compensatory leave in the annual and sick leave balances was a clerical error.

We recommend the WVDOF comply with Chapter 5, Article 10, Section 15a of the West Virginia Code, notify the CPRB of the reporting error, and strengthen internal controls over personal services.

Spending Unit's Response

I concur with the post audit team findings that compensatory leave was used to extend retirement service credit for one employee.

Corrective Action:

- ***The Consolidated Public Retirement Board will be notified regarding this error no later than August 15, 2007 so it can determine what action is required.***

Inaccurate Leave Records

During our test of leave records, we noted ten instances where leave time taken on time sheets for five of the 20 employees selected for testing during the two-year period ended June 30, 2005 did not equal the leave taken on the WVDOF's leave accrual records. Section 14.14 of the Administrative Rule of the West Virginia Division of Personnel states:

“Leave Records - Each agency shall maintain a current leave record of its employees' accrued and used leave. Each employee shall have access to his or her leave records subject to the appropriate agency's established rules. Supervisors and employees shall attest to the accuracy of the records on a periodic basis, but not less than twice annually.”

The WVDOF accrues and records leave on a semi-monthly basis; the differences noted by us during our test follow:

<u>#</u>	<u>Month</u>	<u>First Half (FH)/Second Half (SH)</u>	<u>Leave Type</u>	<u>Hours Taken Per Time Sheet(s)</u>	<u>Hours Recorded On Leave Accrual Record</u>	<u>Over/ (Under) Difference</u>
1	June 2004	FH	Annual	4.00	0.00	4.00
2	July 2004	FH	Annual	32.00	33.00	(1.00)
3	August 2004	SH	Annual	8.00	7.00	1.00
4	October 2004	FH	Annual	5.00	16.00	(11.00)
5	December 2004	FH	Sick	24.00	16.00	8.00
6	November 2003	SH	Annual	24.00	20.00	4.00
7	October 2003	FH	Sick	8.00	0.00	8.00
8	November 2003	FH	Sick	8.00	0.00	8.00
9	February 2005	SH	Annual	0.00	8.00	(8.00)
10	June 2005	FH	Annual	7.75	7.50	0.25
				<u>120.75</u>	<u>107.50</u>	<u>13.25</u>

The ten instances noted above resulted in a cumulative total of 13.25 hours of leave taken per the time sheets that was not recorded on the five employees' leave accrual records. We stopped testing leave because leave recording errors appeared to affect at least 25% of the 20 employees selected for testing. The total population of employees who received sick and annual leave for the period totaled 118; therefore, we project that approximately 30 of the 118 employees may have errors on their sick and annual leave accrual records. The Payroll/Human Resources Assistant stated the time sheets should be compared to the leave accrual records and leave slips to verify leave taken is properly authorized and recorded; however, this duty has not been assigned to any WVDOF employee. She also stated the improper postings of leave taken to the leave accrual records were the result of clerical error.

We recommend WVDOF comply with Section 14.14 of the Administrative Rule of the Division of Personnel and strengthen internal controls over annual and sick leave records.

Spending Unit's Response

I concur with the findings of the post audit team regarding inaccurate leave records.

Corrective Action:

- ***A new procedure will be developed no later than December 31, 2007 to accurately track leave time. This procedure will utilize the new, "Environmental Resource Information System", a computer program developed by the West Virginia DEP.***

Overtime Compensation Not Paid in a Timely Manner

During our test of personal services, we noted \$520.20 for 24 hours of overtime earned by a WVDOF employee for the week ending October 10, 2003 was not paid until December 16, 2003 in noncompliance with Section 778.106 of the Federal "Fair Labor Standards Act of 1938", as amended, which states:

“Time of payment.

There is no requirement in the Act that overtime compensation be paid weekly. The general rule is that overtime compensation earned in a particular workweek must be paid on the regular pay day for the period in which such workweek ends. When the correct amount of overtime compensation cannot be determined until some time after the regular pay period; however, the requirements of the Act will be satisfied if the employer pays the excess overtime compensation as soon after the regular pay period as is practicable. Payment may not be delayed for a period longer than is reasonably necessary for the employer to compute and arrange for payment of the amount due and in no event may payment be delayed beyond the next payday after such computation can be made.”

Overtime payments are processed and paid by the payroll department at the Charleston headquarters. The time sheet noted above was date-stamped received at the headquarters on October 27, 2003; however, the overtime compensation was not paid until December 16, 2003. The Payroll/Human Resources Assistant could not provide an explanation for the late payment of the employee’s overtime.

We recommend the WVDOF comply with Section 778.106 of the “Fair Labor Standards Act of 1938”, as amended, and strengthen internal controls over the timely payment of overtime compensation.

Spending Unit’s Response

I concur with the post audit team’s finding that overtime compensation was not paid in a timely manner for one employee.

Corrective Action:

- ***Controls will be established to ensure timely payment of overtime compensation.***

Vehicles

The WVDOF does not have an effective system in place to monitor vehicle expenses. The WVDOF is exempt, by statute, from the fleet policies and procedures promulgated by the West Virginia Department of Administration's Fleet Management Office; therefore, the WVDOF's "Vehicle Operation Policy" (Policy) governs vehicle usage over approximately 126 vehicles. During our test of vehicle expenses, we noted the following:

1. The Policy does not address the reporting of mileage as well as fuel, accessories and maintenance purchases that are made on the gasoline credit cards. Further, the WVDOF has not implemented an effective system of internal controls to monitor the credit card purchases for unauthorized use or disposition. During the audit period, each WVDOF vehicle had 3 different service station credit cards assigned as well as a Division of Highways gas card. Purchases on the three non-state vendors cards totaled approximately \$150,000 and \$237,136.06 was paid to the Division of Highways during the period July 1, 2003 to June 30, 2005. Subsequent to the date of our audit, the WVDOF ceased using the three non-state cards and currently uses one gasoline card issued by the Department of Administration's Fleet Management Office. The Director told us the "Vehicle Operation Policy" is being revised to include monitoring requirements for fuel and other vehicle expenses.
2. Motor Vehicle Records (MVR's) are not obtained for employees who drive WVDOF vehicles biannually in noncompliance with the "Driver Evaluation" section of the policy.

As noted above, the WVDOF has not implemented an effective system of internal control over vehicle expenses. Although the Policy does not address fuel and mileage reports, the WVDOF had an unwritten policy requiring drivers to complete fuel and mileage information on a "Vehicular Equipment Report" quarterly. Our review of the records indicated reports were incomplete and no monitoring of the reports was being performed. Our review of an August 15, 2004 Exxon monthly fuel invoice showed three purchases for "accessories" totaling \$168.05; a WVDOF accounting technician was unable to provide an explanation for the item(s) purchased

because of the lack of monitoring. As noted above, the WVDOF had credit cards with Exxon, BP, Sheetz, and the West Virginia Division of Highways; total amounts paid for the two-year period ended June 30, 2005 to the non-state vendors were \$86,558.46, \$44,608.35 and \$21,434.64, respectively; \$237,136.06 was paid to the Division of Highways for the same period. The Director stated that he believes the above cards were acquired by the Department of Administration's Purchasing Division for the WVDOF.

Secondly, the WVDOF's "Vehicle Operation Policy" requires MVR's for employees to be obtained bi-annually as follows:

"...DRIVER EVALUATION

An ongoing driver evaluation program is necessary to determine a driver's qualifications, attitude, and ability. . . . The Division of Forestry will request a copy of a prospective employee's motor vehicle record (MVR) from the Division of Motor Vehicles prior to employment. The prospective employee will be asked to sign a waiver for this purpose. The MVR will be used by the Division Personnel Officer to determine suitability and then become a part of the employee's file. . . . MVR's will be requested and reviewed bi-annually...."

Our review of the employee driving files maintained by the WVDOF indicated the files were incomplete for MVR's obtained in 2003. Also, the WVDOF did not request employee MVR's for 2005 in noncompliance with the above policy. Subsequent to our audit period, the MVR's were requested and received for employees in August 2006. Of the 2006 MVR's received, we were unable to locate reports for eight employees.

We recommend the WVDOF implement a system of internal control to effectively monitor vehicle expenses and obtain MVR's in compliance with the "Driver Evaluation" section of the WVDOF "Vehicle Operation Policy".

Spending Unit's Response

I concur with the findings of the post audit team regarding non-compliance with the vehicle operating policy.

Corrective Action:

- *A revised "Division Vehicle Operating Policy" will be completed and distributed to all division employees no later than August 30, 2007.*
- *Internal controls will be developed and implement no later than December 31, 2007 to ensure compliance with the new policy.*
- *All fuel purchases are now made by utilizing a West Virginia Division of Highway or ARI (Statewide Contract Fuel only) card.*
- *Purchases for vehicle needs, other than fuel, are now made with statewide contracted purchase cards.*

Equipment Inventory

The WVDOF did not maintain the FIMS Fixed Assets Inventory (inventory) in accordance with the Purchasing Division's "Inventory Management and Surplus Property Disposition Policies and Guidelines" for the period under audit. During our test of equipment, we noted seven transactions where the WVDOF paid approximately \$73,000 for 26 reportable assets but failed to record the equipment in inventory in noncompliance with Sections 3.6 and 3.12 of the above guidelines. Secondly, we found the WVDOF did not remove a vehicle with an acquisition cost of \$21,139 from inventory that was "totaled" in an accident and two additional vehicles -- valued at approximately \$20,000 each -- were recorded twice in inventory. Finally, inventory tags were not properly accounted for in noncompliance with the guidelines noted above. The Purchasing Division's "Inventory Management and Surplus Property Disposition Policies and Guidelines" states in part,

"3.6 Reportable Property:

The Purchasing Division has established a capitalization figure of \$1,000 and a useful life of one (1) year or more as reportable property. This means that any item which has an original

acquisition cost of \$1,000 or more and useful life of one (1) year or more is required to be entered into the WVFIMS Fixed Asset system...

3.11 Identification Tags:

All equipment over \$1,000 will have a numbered equipment identification tag and that equipment will be entered into the WVFIMS Fixed Asset System. Agency's will be responsible for obtaining and placing the proper tags on all equipment under their jurisdiction. Tags are to be placed on all items of property/equipment in such a manner that it may be easily seen and read. .

3.12 Added Property:

When an agency acquires new, reportable property/equipment, the item should be entered into the WVFIMS Fixed Asset system and labeled with a numbered identification tag. Agencies are responsible for adding new equipment into the WVFIMS Fixed Asset system as soon as the vendor's invoice has been paid and the FIMS 'T' document number has been established. . . .

3.15 Destroyed Property:

When any reportable property has been destroyed, (*destroyed* means a natural disaster such as a flood, fire, hurricane, etc) the agency should forward a WVFIMS retirement cover sheet for all destroyed assets along with a letter from the department head explaining how the property was destroyed to the Surplus Property Unit of the Purchasing Division. Once the Surplus Property Unit has reviewed the transaction and upon approval, the retirement document will have the status of "COM" in the WVFIMS Fixed Asset system. . . ."

The following 26 assets valued at \$1,000.00 or more were not entered into the WVFIMS Fixed Asset System as of June 28, 2006:

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>
11/21/03	4 Laptop Computers/Dell @ \$2,226.00 each	Pomeroy Computer	\$ 8,904.00
11/21/03	Server/Dell	Pomeroy Computer	3,155.00
06/24/04	Quantar Repeater Radio/Motorola	Motorola	16,425.71
07/24/04	3 Fire Fighting Pumps @ \$3,055.66 each	General Services Admin.	9,166.98

<u>Date</u>	<u>Description</u>	<u>Vendor</u>	<u>Amount</u>
12/01/04	Laptop Computer/Dell	Computer Sales&Service	3,539.00
12/01/04	9 Desktop Computers/HP-Compaq @ \$1,497.02 each	Computer Sales&Service	13,473.18
12/01/04	4 LaserJet Printers/HP @ \$1,674.00 each	Computer Sales&Service	6,696.00
8/24/04	7 x 16 Fire Equip. Trailer	Pritt Tire & Trailer Sales	4,000.00
6/30/04	7 x 16 Fire Equip. Trailer	Pritt Tire & Trailer Sales	3,975.00
8/23/04	8 x 20 Open Utility Trailer	Pritt Tire & Trailer Sales	<u>3,895.00</u>
		TOTAL:	<u>\$73,229.87</u>

The WVDOF did not have copies of the June 30, 2004 and June 30, 2005 inventories; the WVDOF did provide us an inventory as of June 28, 2006 and the assets above were not listed and no retirement forms were provided by the WVDOF.

We also noted two duplicate listings on inventory for two trucks; the duplicate recording of the trucks, valued at approximately \$20,000 each, resulted in inventory being overstated by \$41,446.00. The trucks, a \$21,286 GMC 2001 Truck - VIN 1GTEK19V61Z226299 and a \$20,160 GMC 2002 truck - VIN 1GTEK19V72Z240245 were recorded on inventory twice and assigned two tag numbers each. Additionally, a WVDOF vehicle involved in an automobile accident was deemed a total loss on February 2, 2005 by AIG Claim Services Inc. but remained on the June 30, 2006 vehicle inventory; the acquisition value of the totaled vehicle was \$21,139. Total inventory overstatements in relation to vehicle inventory was \$62,585 as of June 28, 2006. Finally, we physically observed the three trailers noted above and found no tag numbers affixed to these pieces of equipment.

Due to the resignation of the Chief Financial Officer, we were unable to determine the reasons why inventory was not maintained.

We recommend the WVDOF maintain equipment inventory in compliance with Section 3, Subparts 11, 12 and 15 of the Purchasing Division's Inventory Management and Surplus Property Disposition Policies and Guidelines.

Spending Unit's Response

I concur with all the findings of the post audit team regarding equipment.

Corrective Action:

- *The Division of Forestry will comply with Section 3, Subpart 11, 12, and 15 of the Purchasing Divisions Inventory Management and Surplus Property Disposition Policies and Guidelines regarding equipment inventory.*
- *The Division of Forestry will develop and implement a system of internal controls no later than December 31, 2007 to ensure compliance.*
- *All discrepancies noted by the audit on the fixed asset ledger have been corrected.*

Employee of the Year Award and Safe Driving Incentive

In November 2003, the WVDOF gave an "Employee of the Year Award" to a purchasing card (p-card) cardholder and directed him to purchase \$300 of personal goods on his P-card in noncompliance with Section 6.1 of the State Auditor's Purchasing Card Policies and Procedures. We also noted during Fiscal Years 2004 and 2005, the WVDOF paid a total of approximately \$20,000 for "Accident Free Incentives" to employees who were assigned a State vehicle or drove a State vehicle more than an average of 500 miles per month, and were accident free as of September 30th of each year. We contacted the West Virginia Division of Personnel (DOP) and the DOP was unable to determine if the above programs were approved by the State Board of Personnel.

The State Auditor's Purchasing Card Policies and Procedures states in part,

"6.1 General Instructions

The purchasing card is a method of payment for small dollar transactions. All current purchasing policies must be followed . . .

The purchasing card is for official state use only. Personal charges are prohibited.”

DOP’s incentives are provided for in Chapter 29, Article 6, Section 7(b) which states in part,

“(b) The director shall: . . .

(6) Develop programs to improve efficiency and effectiveness of the public service, including, but not limited to, employee training, development, assistance and incentives; . . .”

For the Employee of the Year Award, the cardholder was authorized by the WVDOF Deputy State Forester in his November 5, 2003 memorandum to purchase items on the P-card for the award as follows:

“As the recipient of the 2002 Employee of the Year Award for the Division of Forestry, you were to receive a plaque and another material item. This once was a West Virginia Clock made of 55 different woods. The cost of the clock was \$300.00. When the guidelines for the award were revised by a committee appointed by the State Forester, the language was changed to provide for an item of your choice. The value was to remain at \$300.00. I am advised by District Forester . . . that you have indicated interest in something along the clothing line, possibly hunting related. If this is true, this memorandum is authorization for you to purchase such item/items using your Purchasing Card. The total amount expended must not exceed \$300.00. Should the purchase exceed that amount, you will need to make a reimbursement to the State for the excess amount. . . .”

Our review of P-card transactions indicated the cardholder made four purchases totaling \$303.42 for personal goods including a watch, coat and hunting supplies. The purchases were made between the period November 12-16, 2003; the cardholder reimbursed the WVDOF \$3.42 for the amount spent in excess of \$300.00. We believe the personal charges made on the P-card for the employee award were in noncompliance with the State Auditor’s Purchasing Card Policies and Procedures. We were also unable to locate authorization for the Employee of the Year award.

The Assistant Director of DOP's Employee Relations Section responded to our inquiry about the authorization for the award as follows:

“Such incentive programs, while listed as a duty of the director under WV Code §29-6-7.(b) (6), have historically been reviewed by the State Personnel Board, and must be reviewed by the Board if the program includes a monetary incentive (i.e., pay differential). We are unable to determine that the State Personnel Board's approval has been granted to the Division of Forestry for an “Employee of the Year Program.” The Division of Personnel intends to work with officials from the Division of Forestry to address this issue at a future State Personnel Board meeting.”

In regard to the “Accident Free Incentive”, the Manager of the DOP's Employee Relations Section responded to our inquiry as follows:

“I have been advised that a review of State Personnel Board actions failed to locate a prior approval of a reward/incentive program for the Division of Forestry regarding safely operating a State vehicle. Any monetary reward/incentive program would have to be reviewed and approved by the State Personnel Board under the provisions of the Division of Personnel's Legislative Rule 143 CSR 1.”

On December 8, 2003 and 2004, the WVDOF paid \$9,750 to 79 employees (\$125 each) for the “Accident Free Incentive”. The WVDOF Director stated he did not know if the incentive was approved by DOP and he implemented the program based on a recommendation received from a Safety/Loss Control Specialist of the West Virginia Board of Risk and Insurance Management during a loss control visit.

We recommend the WVDOF comply with Section 6.1 of the State Auditor's Purchasing Card Policies and Procedures and provide incentive programs developed by the Director of the West Virginia Division of Personnel in accordance with Chapter 29, Article 6, Section 7 of the West Virginia Code.

Spending Unit's Response

I concur with the findings of the post audit team regarding the awards of incentives.

Corrective Action:

- *I will request approval from the Secretary of Commerce, Governor's Office, and the State Personnel Board to continue both programs. If not approved; these programs will be terminated immediately.*

No Record of Receipts Received and Late Deposits

Our testing of cash receipts revealed the WVDOF did not make a record of receipts received and seven of 50 deposits (approximately 14%) selected for testing contained receipts that were not deposited within 24 hours in noncompliance with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, which states in part:

“(a) All officials and employees of the state authorized by statute to accept moneys due the State of West Virginia shall keep a daily itemized record of moneys received for deposit in the State Treasury and shall deposit within twenty-four hours with the State Treasurer all moneys received or collected by them for or on behalf of the state for any purpose whatsoever....”

The Office Assistant II who is responsible for receiving and opening the mail at the WVDOF's Charleston Office does not maintain a record of receipts received by the WVDOF. All mail received that does not appear to be of a personal nature is opened by the Office Assistant and distributed to the proper individual or location but the employee does not maintain a listing of the moneys received. Without a daily itemized record of all collections, we were unable to ascertain that amounts received by the WVDOF were deposited with the State Treasury. According to the Office Assistant II who generally opens the mail, the WVDOF does not have a procedure in place for listing receipts received. However, the Office Assistant II does date-stamp the supporting documentation that accompanies each receipt. Using the “date-received” stamped on the

supporting documentation, we determined the following seven deposits contained 13 receipts which were not deposited by the WVDOF within 24 hours in noncompliance with the above statute:

<u>FIMS ID</u>	<u>Date Deposited</u>	<u>Date Received</u>	<u>Days Late</u>	<u>Type of Receipt</u>	<u>Amount Received</u>
D000954641	07/21/2003	07/14/2003	6	Timber sales	\$ 3,571.50
D000960053	08/06/2003	07/21/2003	15	Timber sales	3,473.20
D000995111	12/09/2003	12/04/2003	4	Tree Seedling Sales	30.00
D001101975	01/14/2005	01/11/2005	2	Miscellaneous Collection	19.00
D001087398	11/17/2004	11/12/2004	2	Tree seedlings	130.00
D001104652	01/25/2005	01/14/2005	8	Fire suppression Recoveries	1,404.75
D001104652	01/25/2005	01/19/2005	5	Patroller Wage Reimbursements	1,424.04
D000975252	09/25/2003	09/02/2003	22	Timber License	50.00
D000975252	09/25/2003	09/02/2003	22	Logger License	50.00
D000975252	09/25/2003	09/23/2003	1	Timber License	50.00
D000975252	09/25/2003	09/23/2003	1	Logger License	50.00
D000975252	09/25/2003	09/23/2003	1	Logger License	50.00
D000975252	09/25/2003	09/12/2003	10	Logger License	50.00
Total					<u>\$10,352.49</u>

The WVDOF's six districts collect receipts and send collections to the Charleston headquarters for deposit via the U.S. Postal Service. The Clements Nursery also sends, via U.S. mail, receipts from seedling sales to the Charleston headquarters. We were also told by the office assistant that timber and logger license receipts are not deposited until the license application has been approved and the license issued. We believe the WVDOF should deposit receipts timely in depositories approved by the State Treasurer that are located in or near the districts and the Nursery.

We recommend the WVDOF comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, and strengthen internal controls over receipts.

Spending Unit's Response

I concur with the findings of the post audit team in regard to the subject above.

Corrective Action:

- *Checks received in the daily mail are now recorded on an excel spreadsheet then forwarded for processing.*
- *The Division of Forestry will coordinate with the State Treasurer's Office to establish local depositories for Regional Offices and the Nursery so all deposits can be made within 24 hours of receipt.*
- *Procedures and internal controls will be developed and implemented to ensure compliance with Chapter 12, Article 2, Section 2 of the West Virginia Code.*

Printing Services Not Purchased From Correctional Industries

The WVDOF obtained approximately \$45,000 of printing services during the two-year period ended June 30, 2005 from the West Virginia Department of Agriculture's Print Shop instead of West Virginia Correctional Industries as required by Section 8.12 of the West Virginia Purchasing Division's "Policies and Procedures Handbook" which states in part,

"8.12 Printing and Printing Equipment: All printing and binding services must be performed by Correctional Industries or a letter of refusal must be attached to the *Purchase Requisition* (over \$10,000), or maintained with agency invoice/purchase order file (\$10,000 or less).. . ."

According to the Director, pricing and quality issues caused the WVDOF to use the Department of Agriculture rather than Correctional Industries. Further, the WVDOF did not obtain letters of refusal from Correctional Industries for the printing services noted below. Upon a review of all payments charged to Object Code 021 - Printing and Binding during the period July 1, 2003 through June 30, 2005; we noted 67 transactions where the WVDOF purchased printing services from the Department of Agriculture totaling \$10,201.69 for fiscal year 2004 and \$35,606.47 for fiscal year 2005.

We recommend the WVDOF comply with Section 8.12 of the West Virginia Purchasing Division "Policies and Procedures Handbook".

Spending Unit's Response

I concur with the post audit team's findings regarding the above but take exception to their recommendation.

Corrective Action:

- ***The Division of Forestry wishes to acquire the best product at the lowest possible cost. Therefore, it is our opinion that the Division of Forestry should be permitted to accept bids from other state agencies and base its decision on quality and cost.***

No Purchasing Division Approval for Agreements

We noted four agreements with West Virginia University (WVU) Research Corporation to provide services to the WVDOF were not preapproved by the Director of the West Virginia Purchasing Division as required by Section 8.18 of the West Virginia Purchasing Division "Policies and Procedures Handbook". These agreements are detailed as follows:

1. The preparation of an assessment of Compliance with Forestry Management Practice in West Virginia during the period March 1, 2004 through May 1, 2006 at a total cost of \$30,000.00.
2. Research relating to Vigorous Establishment of Native Vegetation on Landings and Skid Roads during the period April 1, 2004 through April 1, 2006 at a total cost of \$107,090.00. This project was funded by a grant from the Department of Environment Protection.
3. Research relating to Watershed Scale Management of Sediments in the Upper Elk River during the period January 1, 2005 through October 31, 2005 at a total cost of \$85,040.00. This project was also funded by a grant from the Department of Environment Protection.
4. Services relating to Master Forestland Owner Training in West Virginia during the period July 1, 2004 through June 30, 2007 at a cost of \$18,900.00.

Section 8.18 of West Virginia Purchasing Division "Policies and Procedures Handbook" states in part:

“8.18 WVU/Marshall University Research Corporations: The WVU and Marshall University Research corporations are not-for-profit corporations designated by the respective universities to fulfill the provisions of the West Virginia Code pertaining to the role of public institutions to work in partnership with business, industry or government. They encourage the sharing of facilities, equipment and skilled personnel to promote and develop joint, applied research and development, technical assistance and instructional programs in West Virginia.

Requests by state agencies for projects to be performed by either of these corporations must be approved by the Purchasing Director prior to any work being performed. The research corporation involved must certify in writing that at least 75% of the dollars and 51% of the labor will be expended internally by the research corporation.”

The WVDOF Director stated that when these agreements were made he was not aware of the requirement that they be preapproved; however, the WVDOF now obtains preapproval for agreements with WVU Research Corporation.

We recommend the WVDOF comply with Section 8.18 of West Virginia Purchasing Division Policies and Procedures Handbook by obtaining approval from the Purchasing Division for agreements with WVU Research Corporation.

Spending Unit's Response

I concur with the findings of the post audit team regarding required Purchasing Division approval for agreements with West Virginia University Research Corporation.

Corrective Action:

- ***Approval is now obtained from the Purchasing Division for research projects assigned to West Virginia University Research Corporation or an interagency agreement is made directly with the West Virginia University, School of Agriculture, Forestry, and Consumer Sciences; Division of Forestry.***

Taxable Wage Reporting for Fringe Benefits

Based on our inquiries with WVDOF management, we believe the WVDOF is not reporting federal taxable wages to the Internal Revenue Service for a fringe benefit received by an employee residing at the WVDOF's "Prosperity Ranger Station" located in Raleigh County, WV.

Publication 15-B of the Employer's Tax Guide to Fringe Benefits, Section 1 states in part,

"...Any fringe benefit that you provide is taxable and must be included in the recipient's pay unless the law specifically excludes it. . . ."

Section 2 of the above Guide provides for "Lodging on Your Business Premises" exclusion as follows:

"You can exclude the value of lodging you furnish to an employee from the employee's wages if it meets the following tests.

- It is furnished on your business premises.
- It is furnished for your convenience.
- The employee must accept it as a condition of employment"

Further, the fringe benefit value of the lodging is provided for in Section 3 of the above Guide under "Fringe Benefit Valuation Rules" which states in part,

A. . . General Valuation Rule . . . The fair market value (FMV) of a fringe benefit is the amount an employee would have to pay a third party in an arm's-length transaction to buy or lease the benefit"

On February 13, 2007, the Director told us a District Forester Ranger had resided at the "Prosperity Ranger Station" for approximately 20 years and, until our inquiries during the audit occurred, he was unaware of the home's existence. The Director does not believe it is necessary for the home to be occupied by the District Forester Ranger but was advised by a WVDOF attorney not to remove the employee from the home.

We were also provided a deed for the "Prosperity Ranger Station" which indicates the property was granted for \$1.00 to the State in 1939 subject to conditions. If the property is not used per the condition -- which requires the lot to be used exclusively for forest fire protection purposes and for the building of a ranger's cabin and other structures accessory thereto as noted below -- the property will revert back to the grantor. The above condition is detailed in the deed as follows:

- A. . . This grant is made upon condition that the said lot or parcel of surface land hereby conveyed shall be used exclusively for forest fire protection purposes and for the building of a ranger's cabin and other structures accessory thereto, and for no other purposes. If, at any time, said premises shall cease to be actively used for the purposes herein set forth, or if residential occupation thereof be discontinued, for a period of one year continuously, then the title to said real estate shall revert to and become the property of the party of the first part"

The Director believes the home could be used for office space for WVDOF employees and is currently awaiting an answer from the WVDOF's current legal counsel regarding a resolution to this situation. During calendar year 2004, the WVDOF reported no increase in the above employee's federal taxable wages on the employee's Form W-2 but did report a non-monetary increase (emolument) in the FICA and Medicare wages of \$1,500 annually (\$125 per month). The WVDOF pays the natural gas, electric, and water bills for the home. During the period July 1, 2003 through June 30, 2005, the WVDOF unit paid utility costs totaling \$5,166.67 consisting of \$3,244.84 for the natural gas, \$1,491.40 for electric, and \$430.63 for the water service for a calculated monthly average for all utilities of approximately \$215.00.

Based on our inquiry with the Director, we believe the lodging furnished to the employee is not a condition of his employment; therefore, the exclusion tests are not met and the

fair market value of the lodging must be reported by the WVDOF as taxable wages for federal and state income tax purposes.

We recommend the WVDOF comply with Publication 15-B of the “Employer’s Tax Guide to Fringe Benefits” and strengthen internal controls over wage reporting for employee fringe benefits.

Spending Unit’s Response

I concur with the findings regarding the above.

Corrective Action:

- *The Division of Forestry’s legal counsel has been notified regarding this situation and we are awaiting advice on further action before proceeding.*

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of appropriations/cash receipts, expenditures/disbursements and changes in fund balances of the West Virginia Division of Forestry for the years ending June 30, 2005 and June 30, 2004. The financial statement is the responsibility of the West Virginia Division of Forestry. Our responsibility is to express an opinion on the financial statement based on our audit.

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

We were unable to obtain sufficient audit evidence to support expenditures for six months of personal services and the corresponding employee benefits totaling \$2,593,217.40 during the year ended June 30, 2004. The West Virginia Division of Forestry was unable to provide employee time sheets to support the above expenditures. Further, lack of accounting records precluded us from determining that receipts due the West Virginia Division of Forestry were collected for fire suppression recoveries, patroller wage reimbursements, civil penalties for violations of statutes, and fees for timber and logger licenses for the years ended June 30, 2005 and June 30, 2004.

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence supporting six months of personal services and the corresponding employee benefit expenditures as well as the receipts due the West Virginia Division of Forestry for fire suppression recoveries, patroller wage reimbursements, civil penalties, and timber and logger license fees, the financial statement referred to in the first paragraph above presents fairly, in all material respects, the appropriations and expenditures and revenues collected and expenses paid of the West Virginia Division of Forestry for the years ended June 30, 2005 and June 30, 2004 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 auditing procedures applied in the audit of the basic financial statement, and in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence supporting six months of personal services and the

corresponding employee benefit expenditures as well as the receipts due the West Virginia Division of Forestry for fire suppression recoveries, patroller wage reimbursements, civil penalties, and timber and logger license fees, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,



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

February 13, 2007

Auditors: Jean A. Krebs, CPA, Audit Manager
 Timothy C. Butler, CPA, Audit Manager
 Amy J. Swain, CPA, Auditor-in-Charge
 Stacy L. Sneed, CPA
 Sheela S. Francis
 Brandy L. McNabb
 Thomas F. Ward, CPA
 Londa M. Sabatino

WEST VIRGINIA DIVISION OF FORESTRY

STATEMENT OF APPROPRIATION/CASH RECEIPTS, EXPENDITURES

DISBURSEMENTS AND CHANGES IN FUND BALANCES

	<u>General Revenue</u>	<u>Special Revenue</u>	<u>Federal Revenue</u>
Appropriations/Cash Receipts:			
Appropriations	\$2,820,640.00	\$ 0.00	\$ 0.00
Collections, Fees, Licenses, and Other	0.00	4,754,739.17	0.00
Prior Year Expiring Funds	0.00	0.00	2,751.57
Severance Tax	0.00	0.00	0.00
Department of Agriculture	<u>0.00</u>	<u>0.00</u>	<u>1,333,386.99</u>
	2,820,640.00	4,754,739.17	1,336,138.56
Expenditures/Disbursements:			
Personal Services	1,486,053.77	1,626,439.42	377,635.01
Annual Increment	43,000.00	36,350.00	4,600.00
Employee Benefits	604,941.62	588,414.06	137,679.82
Current Expenses	383,216.75	759,780.42	712,531.24
Repairs and Alterations	0.00	90,374.35	6,656.85
Equipment	0.00	6,397.90	4,877.62
Other Interest and Penalties	0.00	0.00	0.00
Medical Service Payments	0.00	1,902.03	(315.00)
PEIA Reserve Transfer	14,442.00	15,153.00	0.00
Computer Equipment	0.00	0.00	36,566.34
Computer Software	0.00	0.00	0.00
Grants, Awards, Scholarships, & Loans	0.00	40,336.98	136,855.31
Federal Subrecipient Disbursement	0.00	0.00	95,964.00
Revenue Refunds	<u>0.00</u>	<u>259,056.33</u>	<u>0.00</u>
	2,531,654.14	3,424,204.49	1,513,051.19
Appropriations/Cash Receipts Over(Under)			
Expenditures/Disbursements	288,985.86	1,330,534.68	(176,912.63)
Expirations and Expenditures after June 30	288,985.86	(73,744.90)	265,092.91
Beginning Balance		2,884,927.90	1,930,880.37
Ending Balance	<u>\$ 0.00</u>	<u>\$4,289,207.48</u>	<u>\$1,488,874.83</u>

See Notes to Financial Statements

Year Ended June 30, 2004

<u>Combined Totals</u>	<u>General Revenue</u>	<u>Special Revenue</u>	<u>Federal Revenue</u>	<u>Combined Totals</u>
\$2,820,640.00	\$2,995,969.00	\$ 0.00	\$ 0.00	\$2,995,969.00
4,754,739.17	0.00	789,285.00	0.00	789,285.00
2,751.57	0.00	0.00	0.00	0.00
0.00	0.00	3,501,356.44	0.00	3,501,356.44
<u>1,333,386.99</u>	<u>0.00</u>	<u>0.00</u>	<u>1,173,865.29</u>	<u>1,173,865.29</u>
8,911,517.73	2,995,969.00	4,290,641.44	1,173,865.29	8,460,475.73
3,490,128.20	1,710,412.83	1,636,584.62	265,841.27	3,612,838.72
83,950.00	41,250.00	35,050.00	4,600.00	80,900.00
1,331,035.50	698,664.64	623,714.79	91,565.34	1,413,944.77
1,855,528.41	263,203.69	777,448.49	400,632.23	1,441,284.41
97,031.20	0.00	85,508.44	5,407.09	90,915.53
11,275.52	0.00	9,942.53	14,080.00	24,022.53
0.00	0.00	890.20	0.00	890.20
1,587.03	0.00	2,530.04	0.00	2,530.04
29,595.00	16,575.00	15,921.00	0.00	32,496.00
36,566.34	0.00	0.00	12,067.00	12,067.00
0.00	0.00	5,344.00	0.00	5,344.00
177,192.29	0.00	0.00	122,538.70	122,538.70
95,964.00	0.00	0.00	123,115.64	123,115.64
<u>259,056.33</u>	<u>0.00</u>	<u>130,961.25</u>	<u>0.00</u>	<u>130,961.25</u>
<u>7,468,909.82</u>	<u>2,730,106.16</u>	<u>3,323,895.36</u>	<u>1,039,847.27</u>	<u>7,093,848.79</u>
1,442,607.91	265,862.84	966,746.08	134,018.02	1,366,626.94
480,333.87	265,862.84	138,709.73	187,716.12	592,288.69
<u>4,815,808.27</u>		<u>2,056,891.55</u>	<u>1,984,578.47</u>	<u>4,041,470.02</u>
<u>\$ 5,778,082.31</u>	<u>\$ 0.00</u>	<u>\$2,884,927.90</u>	<u>\$1,930,880.37</u>	<u>\$4,815,808.27</u>

WEST VIRGINIA DIVISION OF FORESTRY

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policy

Accounting Method: The modified cash basis of accounting is followed for the General Revenue Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. All balances of the General Revenue Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 31 days after the fiscal year-end; however, appropriations for buildings and land remain in effect until three years after the passage of the act by which such appropriations were made. The cash basis of accounting is followed by all other funds. 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.

Expenditures paid after June 30, in the carry-over period and expirations were as follows:

	<u>Expenditures</u>		<u>Expirations</u>	
	<u>Paid After June 30,</u>		<u>July 31,</u>	<u>July 31,</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General Administration Fund:				
Personal Services	\$ 4,852.61	\$ 60,692.17	\$146,352.51	\$ 26,623.00
Personal Services- Surplus	0.00	37.00	0.00	0.00
Annual Increment	0.00	0.00	0.00	3,850.00
Employee Benefits	9,955.64	37,214.10	56,730.85	0.00
Employee Benefits- Surplus	0.00	7,074.26	0.00	0.00
Unclassified	0.00	35,147.31	0.00	0.00
Aerial Tanker Airplanes	0.00	0.00	71,093.75	95,225.00
BRIM Premiums	<u>0.00</u>	<u>0.00</u>	<u>0.50</u>	<u>0.00</u>
	<u>\$14,808.25</u>	<u>\$140,164.84</u>	<u>\$274,177.61</u>	<u>\$125,698.00</u>

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

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are four and one-half percent of the annual compensation and employees have vested rights under certain circumstances. The West Virginia Division of Forestry matches contributions at 10.5% of the compensation on which the employees made contributions.

The West Virginia Division of Forestry's pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
General Revenue	\$163,291.34	\$201,559.86
Special Revenue	161,811.36	143,575.57
Federal Revenue		28,396.72
	\$365,045.50	\$373,532.15

SUPPLEMENTAL INFORMATION

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

<u>General Administration Fund -</u> <u>Personal Services - Account 0250-001</u>	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Appropriations	\$1,631,940.00	\$1,657,488.00
Expenditures	<u>1,485,587.49</u> 146,352.51	<u>1,630,865.00</u> 26,623.00
Transmittals Paid After June 30	<u>4,852.61</u>	<u>60,692.17</u>
Balance	<u>\$ 151,205.12</u>	<u>\$ 87,315.17</u>

<u>General Administration Fund -</u> <u>Annual Increment - Account 0250-004</u>		
Appropriations	\$ 43,000.00	\$ 43,600.00
Expenditures	<u>43,000.00</u> 0.00	<u>39,750.00</u> 3,850.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 3,850.00</u>

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
GENERAL REVENUE

<u>General Administration Fund -</u> <u>Employee Benefits - Account 0250-010</u>	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Appropriations	\$691,389.00	\$680,264.00
Expenditures	<u>634,658.15</u>	<u>680,264.00</u>
	56,730.85	0.00
Transmittals Paid After June 30	<u>9,955.64</u>	<u>37,214.10</u>
Balance	<u>\$ 66,686.49</u>	<u>\$ 37,214.10</u>

<u>General Administration Fund -</u> <u>Aerial Tanker Airplanes - Account 0250-047</u>		
	Appropriations	\$200,000.00
Expenditures:		
Current Expenses	<u>128,906.25</u>	<u>0.00</u>
Transmittals Paid After June 30	<u>71,093.75</u>	<u>0.00</u>
Balance	<u>\$ 71,093.75</u>	<u>\$ 0.00</u>

<u>General Administration Fund -</u> <u>Increment-Surplus - Account 0250-069</u>		
	Appropriations	\$ 0.00
Expenditures	<u>0.00</u>	<u>1,500.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

<u>General Administration Fund -</u> <u>Unclassified Account - 0250-099</u>	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Appropriations	\$0.00	\$ 37,305.00
Expenditures	0.00	37,305.00
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>35,147.31</u>
Balance	<u>\$0.00</u>	<u>\$ 35,147.31</u>
<u>General Administration Fund-</u> <u>Personal Services-Surplus - Account 0250-243</u>		
Appropriations	\$0.00	\$140,277.00
Expenditures	<u>0.00</u>	<u>140,277.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>37.00</u>
Balance	<u>\$0.00</u>	<u>\$ 37.00</u>
<u>General Administration Fund-</u> <u>Employee Benefits-Surplus - Account 0250-250</u>		
Appropriations	\$0.00	\$ 79,264.00
Expenditures	<u>0.00</u>	<u>79,264.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>7,074.26</u>
Balance	<u>\$0.00</u>	<u>\$ 7,074.26</u>

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

<u>General Administration Fund - Aerial Tanker Airplanes - Account 0250-752</u>	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Appropriations	\$ 0.00	\$200,000.00
Expenditures:		
Current Expenses	<u>0.00</u>	<u>104,775.00</u>
	0.00	95,225.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 95,225.00</u>

<u>General Administration Fund - BRIM Premium Account - 0250-913</u>		
	Appropriations	\$254,311.00
Expenditures	<u>254,310.50</u>	<u>156,271.00</u>
	0.50	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.50</u>	<u>\$ 0.00</u>

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

<u>Division of Forestry Fund</u>	<u>Year Ended June 30,</u>	
<u>Personal Services - Account 3081-001</u>	<u>2005</u>	<u>2004</u>
Appropriations	\$343,845.00	\$368,845.00
Expenditures	<u>262,024.42</u>	<u>297,483.31</u>
	81,820.58	71,361.69
Transmittals Paid After June 30	<u>190.00</u>	<u>0.00</u>
Balance	<u>\$ 82,010.58</u>	<u>\$ 71,361.69</u>

<u>Division of Forestry Fund</u>		
<u>Annual Increment - Account 3081-004</u>		
Appropriations	\$ 7,250.00	\$ 7,200.00
Expenditures	<u>7,200.00</u>	<u>6,150.00</u>
	50.00	1,050.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 50.00</u>	<u>\$ 1,050.00</u>

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

<u>Division of Forestry Fund</u>	<u>Year Ended June 30,</u>	
<u>Employee Benefits - Account 3081-010</u>	<u>2005</u>	<u>2004</u>
Appropriations	\$ 120,510.00	\$139,479.00
Expenditures	<u>88,618.97</u>	<u>116,475.62</u>
	31,891.03	23,003.38
Transmittals Paid After June 30	<u>1,794.76</u>	<u>3,421.88</u>
Balance	<u>\$ 33,685.79</u>	<u>\$ 26,425.26</u>

<u>Division of Forestry Fund</u>		
<u>Unclassified - Account 3081-099</u>		
Appropriations	\$478,863.00	\$260,076.00
Expenditures:		
Current Expenses	271,667.27	77,411.05
Repairs and Alterations	91,065.96	85,868.31
Grants, Awards, Scholarships, and Loans	<u>76,965.17</u>	<u>0.00</u>
	<u>439,698.40</u>	<u>163,279.36</u>
	39,164.60	96,796.64
Transmittals Paid After June 30	<u>54,798.94</u>	<u>8,648.58</u>
Balance	<u>\$ 93,963.54</u>	<u>\$105,445.22</u>

**WEST VIRGINIA DIVISION OF FORESTRY
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
SPECIAL REVENUE**

<u>Division of Forestry Fund -</u> <u>Cash Control - Account 3081-640</u>	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Beginning Balance:		
State Treasury	\$ 337,936.23	\$350,236.09
Cash Receipts:		
Transfer from Department of Environmental Protection for Water Quality Research	170,101.19	80,000.00
Tree Seedling Sales	261,055.29	152,769.18
Timber Sales	163,943.44	243,397.96
Transfer from Department of Agriculture for Timber Miscellaneous	<u>122,174.63</u>	<u>92,460.11</u>
	<u>717,274.55</u>	<u>600,176.00</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$1,055,210.78</u>	<u>\$950,412.09</u>
Disbursements:		
Personal Services	\$ 262,024.42	\$297,483.31
Annual Increment	7,200.00	6,150.00
Employee Benefits	88,618.97	116,475.62
Current Expenses	271,667.27	77,411.05
Repairs and Alterations	91,065.96	85,868.31
Grants, Awards, Scholarships, and Loans	76,965.17	0.00
Refunds	<u>25,108.93</u>	<u>215.00</u>
	822,650.72	583,603.29
Add: Transmittals Paid July 1-31 Beginning		
(Less): Transmittal Paid July 1-31 Ending		
Personal Services	0.00	0.00
(Personal Services)	(190.00)	0.00
Employee Benefits	3,421.88	3,607.20
(Employee Benefits)	(1,794.76)	(3,421.88)
Current Expenses	8,648.58	37,335.83
(Current Expenses)	<u>(54,798.94)</u>	<u>8,648.58</u>
	<u>(44,713.24)</u>	<u>28,872.57</u>
	777,937.48	612,475.86
Ending Balance:		
State Treasury	<u>277,273.30</u>	<u>337,936.23</u>
TOTAL CASH ACCOUNTED FOR	<u>\$ 1,055,210.78</u>	<u>\$950,412.09</u>

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

<u>Timberland Operations Enforcement Fund</u>	<u>Year Ended June 30,</u>	
<u>Unclassified - Account 3082-096</u>	<u>2005</u>	<u>2004</u>
Appropriations	\$150,000.00	\$150,000.00
Expenditures:		
Current Expenses	107,641.35	100,865.13
Assets	31.27	0.00
Other Interest and Penalties	<u>0.00</u>	<u>890.20</u>
	<u>107,672.62</u>	<u>101,755.33</u>
	42,327.38	48,244.67
Transmittals Paid After June 30	<u>6,514.12</u>	<u>8,843.58</u>
Balance	<u>\$ 48,841.50</u>	<u>\$ 57,088.25</u>

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
SPECIAL REVENUE

<u>Timberland Operations Enforcement Fund -</u>	<u>Year Ended June 30,</u>	
<u>Cash Control - Account 3082-640</u>	<u>2005</u>	<u>2004</u>
Beginning Balance:		
State Treasury	\$231,223.96	\$139,785.87
Cash Receipts:		
Timber and Logger Licenses	159,319.00	188,235.00
Miscellaneous Collections	<u>2,728.99</u>	<u>874.00</u>
	<u>162,047.99</u>	<u>189,109.00</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$393,271.95</u>	<u>\$328,894.87</u>
Disbursements:		
Current Expenses	\$107,641.35	\$100,865.13
Assets	31.27	0.00
Other Interest and Penalties	0.00	890.20
Revenue Refunds	<u>550.00</u>	<u>0.00</u>
	108,222.62	101,755.33
Add: Transmittals Paid July 1-31 Beginning		
(Less): Transmittal Paid July 1-31 Ending		
Current Expenses	8,843.58	4,759.16
(Current Expenses)	<u>(6,514.12)</u>	<u>(8,843.58)</u>
	<u>2,329.46</u>	<u>4,084.42</u>
	110,552.08	97,670.91
Ending Balance:		
State Treasury	<u>282,719.87</u>	<u>231,223.96</u>
TOTAL CASH ACCOUNTED FOR	<u>\$393,271.95</u>	<u>\$328,894.87</u>

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE

<u>Woodlands & Timberlands Stamp Account -</u>	<u>Year Ended June 30,</u>	
<u>Account 3083-640</u>	<u>2005</u>	<u>2004</u>
Cash Receipts	\$ 0.00	\$ 0.00
Disbursements:		
Miscellaneous	<u>918.00</u>	<u>0.00</u>
Cash Receipts (Under) Disbursements	(918.00)	0.00
Beginning Balance	<u>918.00</u>	<u>918.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$918.00</u>

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

<u>Severance Tax Operations Fund</u>	<u>Year Ended June 30,</u>	
<u>Unclassified - Account 3084-096</u>	<u>2005</u>	<u>2004</u>
Appropriations	\$2,953,665.00	\$3,722,575.00
Expenditures:		
Personal Services	1,365,850.25	1,278,449.64
Annual Increment	29,150.00	28,900.00
Employee Benefits	509,171.25	488,736.04
Current Expenses	408,876.25	596,608.58
Repairs and Alterations	6,010.37	2,985.56
Assets	6,397.90	19,914.73
Public Employee's Reserve Transfer	15,153.00	15,921.00
Medical Services Payments	<u>1,902.03</u>	<u>2,530.04</u>
	<u>2,342,511.05</u>	<u>2,434,045.59</u>
	611,153.95	1,288,529.41
Transmittals Paid After June 30	<u>20,197.48</u>	<u>25,040.27</u>
Balance	<u>\$ 631,351.43</u>	<u>\$1,313,569.68</u>

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
SPECIAL REVENUE

<u>Severance Tax Operations Fund-</u> <u>Cash Control - Account 3084-504</u>	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Beginning Balance:		
State Treasury	\$2,192,858.42	\$1,443,960.30
Cash Receipts:		
Severance Tax	<u>3,852,875.96</u>	<u>3,501,356.44</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$6,045,734.38</u>	<u>\$4,945,316.74</u>
Disbursements:		
Personal Services	\$1,365,850.25	\$1,278,449.64
Annual Increment	29,150.00	28,900.00
Employee Benefits	509,171.25	488,736.04
Current Expenses	408,876.25	596,608.58
Repairs and Alterations	6,010.37	2,985.56
Assets	6,397.90	19,914.73
Public Employee's Reserve Transfer	15,153.00	15,921.00
Medical Services Payments	1,902.03	2,530.04
Revenue Refunds	<u>233,397.40</u>	<u>130,746.25</u>
	2,575,908.45	2,564,791.84
Add: Transmittals Paid July 1-31 Beginning		
(Less): Transmittal Paid July 1-31 Ending		
Personal Services	(60,651.67)	0.00
(Personal Services)	(1,245.25)	60,651.67
Employee Benefits	(21,925.01)	9,380.57
(Employee Benefits)	(7,581.40)	21,925.01
Current Expenses	(16,900.70)	80,362.06
(Current Expenses)	(11,059.44)	16,900.70
Repairs and Alterations	190.24	3,264.91
(Repairs and Alterations)	(311.39)	(190.24)
Equipment	4,628.20	0.00
(Equipment)	<u>0.00</u>	<u>(4,628.20)</u>
	<u>(114,856.42)</u>	<u>187,666.48</u>
	2,461,052.03	2,752,458.32
Ending Balance:		
State Treasury	<u>3,584,682.35</u>	<u>2,192,858.42</u>
TOTAL CASH ACCOUNTED FOR	<u>\$6,045,734.38</u>	<u>\$4,945,316.74</u>

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
SPECIAL REVENUE

<u>Fire Management Assistance -November</u>	<u>Year Ended June 30,</u>	
<u>2001 DR2391 - Account 3089-640</u>	<u>2005</u>	<u>2004</u>
Cash Receipts	\$ 0.00	\$ 0.00
Disbursements	<u>0.00</u>	<u>0.00</u>
	0.00	0.00
Beginning Balance	<u>121,991.29</u>	<u>121,991.29</u>
Ending Balance	<u>\$121,991.29</u>	<u>\$121,991.29</u>
<u>Gifts, Grants and Donations -</u>		
<u>Account 3090-640</u>		
Cash Receipts:		
Transfer from Department of Environmental Protection for Water Quality Research	\$ 22,540.67	\$ 0.00
Disbursements	<u>0.00</u>	<u>0.00</u>
Cash Receipts Over Disbursements	22,540.67	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 22,540.67</u>	<u>\$ 0.00</u>

WEST VIRGINIA DIVISION OF FORESTRY
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FEDERAL FUNDS

<u>Consolidated Federal Account - Unclassified - Account 8703-096</u>	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Appropriations	\$2,566,448.00	\$1,710,585.00
Expenditures:		
Personal Services	377,635.01	265,841.27
Annual Increment	4,600.00	4,600.00
Employee Benefits	139,652.43	93,478.55
Current Expenses	796,999.80	465,095.64
Repairs & Alterations	14,459.89	93,727.05
Assets	43,630.95	26,285.50
Claims	0.00	11,350.73
Grants, Awards, Scholarships, & Loans	144,644.82	171,703.08
Federal Sub-recipient Disbursement	<u>114,061.27</u>	<u>172,858.36</u>
	<u>1,635,684.17</u>	<u>1,304,940.18</u>
	930,763.83	405,644.82
 Transmittals Paid After June 30	 <u>122,632.98</u>	 <u>265,092.91</u>
 Balance	 <u>\$ 1,053,396.81</u>	 <u>\$ 670,737.73</u>

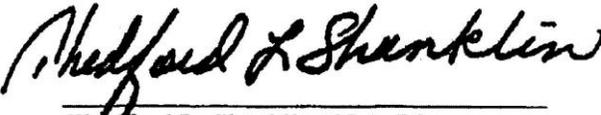
**WEST VIRGINIA DIVISION OF FORESTRY
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FEDERAL FUNDS**

<u>Consolidated Federal Account - Cash Control - Account 8703-700</u>	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Beginning Balance:		
State Treasury	\$1,930,880.17	\$1,984,578.47
Cash Receipts:		
Federal Grants	<u>1,336,138.56</u>	<u>1,173,865.29</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$3,267,018.73</u>	<u>\$3,158,443.76</u>
Disbursements:		
Personal Services	\$ 377,635.01	\$ 265,841.27
Annual Increment	4,600.00	4,600.00
Employee Benefits	139,652.43	93,478.55
Current Expenses	796,999.80	465,095.64
Repairs & Alterations	14,459.89	93,727.05
Assets	43,630.95	26,285.50
Claims	0.00	11,350.73
Grants, Awards, Scholarships, & Loans	144,644.82	171,703.08
Federal Sub-recipient Disbursement	<u>114,061.27</u>	<u>172,858.36</u>
	1,635,684.17	1,304,940.18
Add: Transmittals Paid July 1-31 Beginning		
(Less): Transmittal Paid July 1-31 Ending		
Employee Benefits	1,913.21	1,494.87
(Employee Benefits)	(1,972.61)	(1,913.21)
Current Expenses	147,560.77	
(Current Expenses)	(84,783.56)	(147,560.77)
Repairs and Alterations	5,222.60	801.74
(Repairs and Alterations)	(7,803.04)	(5,222.60)
Equipment	138.50	0.00
(Equipment)	(2,087.00)	(138.50)
Claims	11,350.73	0.00
(Claims)	0.00	(11,350.73)
Grants, Awards, Scholarships, & Loans	49,164.38	0.00
(Grants, Awards, Scholarships, & Loans)	(7,789.51)	(49,164.38)
Federal Subrecipient Disbursement	49,742.72	62,812.00
(Federal Subrecipient Disbursement)	(18,097.27)	(49,742.72)
Computer Equipment	0.00	0.00
(Computer Equipment)	<u>(99.99)</u>	<u>0.00</u>
	<u>142,459.93</u>	<u>(77,376.79)</u>
	1,778,144.10	1,227,563.39
Ending Balance:		
State Treasury	<u>1,488,874.83</u>	<u>1,930,880.37</u>
TOTAL CASH ACCOUNTED FOR	<u>\$3,267,018.93</u>	<u>\$3,158,443.76</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 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 28th day of July 2007.



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

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the West Virginia Division of Finance: Governor; Attorney General; State Auditor; and, Director of Finance Division, Department of Administration.