

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

WEST VIRGINIA DEPARTMENT OF COMMERCE

WEST VIRGINIA OFFICE OF MINERS'
HEALTH, SAFETY AND TRAINING

FOR THE PERIOD

JULY 1, 2003 - DECEMBER 31, 2006

UNAUDITED



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA DEPARTMENT OF COMMERCE

**WEST VIRGINIA OFFICE OF MINERS' HEALTH,
SAFETY AND TRAINING**

FOR THE PERIOD

JULY 1, 2003 - DECEMBER 31, 2006

UNAUDITED

WEST VIRGINIA LEGISLATURE

Joint Committee on Government and Finance

Stacy L. Sneed, CPA, Acting Director
Legislative Post Audit Division
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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 Office of Miners' Health, Safety and Training.

Our examination covers the period July 1, 2003 through December 31, 2006. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

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

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

SLS/gkc

WEST VIRGINIA DEPARTMENT OF COMMERCE

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

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WEST VIRGINIA DEPARTMENT OF COMMERCE
WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING
EXIT CONFERENCE

We held an exit conference on October 2, 2007 with the Director and the Administrator of Finance and Personnel of the West Virginia Office of Miners' Health, Safety and Training. All findings and recommendations were reviewed and discussed. The spending unit'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 DEPARTMENT OF COMMERCE

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

INTRODUCTION

The Office of Miners' Health, Safety and Training was created by Chapter 15, Acts of the Legislature, Second Extraordinary Session, 1991. The purpose of the Office is to execute and enforce the health and safety laws and regulations in cooperation with the mines of the state, along with providing training and certification programs for miners employed in those mines. The Office is administered by the Director, who is appointed by the Governor, by and with the advice and consent of the Senate, and serves at the will and pleasure of the Governor. The Office is a separate office within the Department of Commerce.

The Director of the Office of Miners' Health, Safety and Training is empowered to administer and enforce such provisions of Chapter 22A of the West Virginia Code, as amended, relating to health and safety inspections and enforcement and training in surface and underground coal mines, underground clay mines, open pit mines, cement manufacturing plants and underground limestone and sandstone mines. Prime consideration is given to the protection of the safety and health of persons employed within or at the mines of the state. In addition, the Office protects and preserves mining property and property used in connection with mining activities.

The Office has four regional offices throughout the state located in : Fairmont, Oak Hill, Danville, and Welch. All mine inspectors are assigned to specific mines and are required to do inspections as follows: Underground - at least four times a year at each site, electrical - at least

once a year at each site and surface - at least twice a year at each site. Serious mining accidents are investigated and statistics are maintained with regard to health and safety related concerns. Safety instructors provide industry training, review safety programs for all facilities, and conduct certification examinations.

WEST VIRGINIA DEPARTMENT OF COMMERCE
WEST VIRGINIA OFFICE OF MINERS' HEALTH SAFETY AND TRAINING
ADMINISTRATIVE OFFICERS AND STAFF
DECEMBER 31, 2006

Ronald L. Wooten..... Director (10/06 - Present)
Jim Dean Acting Director (02/06 - 07/06)
J. Doug Conway..... Director (2002- 02/06)
Kathy J. Sloan..... Administrative Secretary
C. A. Phillips..... Deputy Director
Steve Meester.....Administrator of Finance and Personnel (11/06 - Present)
Arthur Shumate.....Administrator of Finance and Personnel (04/95 - 09/06)
Marti Sigmon Payroll Clerk

WEST VIRGINIA DEPARTMENT OF COMMERCE
WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING
EXECUTIVE SUMMARY

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, the West Virginia Office of Miners' Health, Safety and Training (the OMHST) did not have an effective system of internal controls in place to ensure compliance with State laws, rules and regulations. We believe an effective system of internal controls would have alerted management to areas of noncompliance at an earlier date and allowed more timely corrective action.

Auditors' Recommendation

We recommend the West Virginia Office of Miners' Health, Safety and Training comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, 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 agency concurs with this finding of the auditors. (See pages 15 - 17.)

Receipts

2. We are unable to audit assessment receipts resulting from mine rescue statute violations and permit fees that totaled approximately \$6,900,000 for the period July 1, 2003 through December 31, 2006. Also, we noted assessments totaling \$315,453.00 recorded in the "SmartTerm" system and classified as uncollectible.

Auditor's Recommendation

We recommend the OMHST comply with 5A, Article 8, Section 9; Chapter 12, Article 2, Section 2; and, Chapter 14, Article 1, Section 1 of the West Virginia Code. We further recommend the OMHST strengthen internal controls over assessment and permit receipts by implementing an effective system of tracking the number of "Notice of Violations", "Certificate of Approval" and "Extension of Certificate of Approval" issued through the use of pre-numbered forms, reconciling the internal accounting system of receipts to amounts actually deposited, maintaining a daily itemized record of cash receipts and seek to collect amounts due the OMHST.

Spending Unit's Response

The agency concurs with the recommendation. (See pages 18 - 21.)

Lack of Supporting Documentation for Personal Services

3. During our audit period, the OMHST did not require 32 of 168 employees to prepare time sheets; therefore, we are unable to obtain sufficient audit evidence to support payments made to these employees totaling approximately \$3,800,000 in personal services and an estimated \$1,325,000 in corresponding employee benefits for the audit period. We also noted an employee received a \$1,867.48 overpayment. Finally, the OMHST did not maintain adequate compensatory accrual records during the audit period

Auditor's Recommendation

We recommend the OMHST comply with Chapter 5A, Article 8, Section 9 and Chapter 12, Article 3, Section 13 of the West Virginia Code, as well as Title 29, Parts 553.50 and 516.2 of the Code of Federal Regulations. We further recommend the OMHST strengthen

internal controls over personal services, maintain time sheets and compensatory leave records, and continue to seek reimbursement for the \$1,867.48 employee overpayment.

Spending Unit's Response

The agency concurs with the recommendation. (See Pages 21 - 25.)

No Authority for Collection of Fees

4. During our audit period, the OMHST collected approximately \$760,000 in fees for examinations, certifications, sales of publications and entries from contestants for mine rescue contest which they had no statutory authority to collect. We were also unable to locate the statutory authority for the creation and use of the non-appropriated special revenue account "Test Fee Fund 3350" wherein the above fees are being deposited by the OMHST.

Auditor's Recommendation

We recommend the OMHST collect only those monies that are authorized; we further recommend the OMHST seek legislative authority to assess and collect such monies.

Spending Unit's Response

The agency concurs with the recommendation. (See pages 25 - 27.)

Equipment Inventory Unreliable

5. Because the OMHST did not maintain the West Virginia Fixed Asset Inventory (inventory), we were unable to test the inventory and have determined the inventory unreliable.

Auditor's Recommendation

We recommend the OMHST comply with Section 3.3 and 3.6 of the State of West Virginia Department of Administration, Purchasing Division, Administrative Services Section,

Inventory Management and Surplus Property Disposition Policies and Guidelines. In order to safeguard equipment from unauthorized use or disposition, we further recommend the OMHST perform a physical inventory and adjust the WV Fixed Asset Inventory accordingly to account for reportable property.

Spending Unit's Response

The agency concurs with the recommendation. (See pages 27 - 32.)

Single Day Travel Per Diem Not Reported As Taxable Income

6. The OMHST is not reporting board member expense reimbursement per diem for single day travel as taxable income

Auditor's Recommendation

We recommend the OMHST comply with Publication 15, 463 and 17 of the Internal Revenue Service and report board member expense reimbursement for single day travel as taxable income. We further recommend the OMHST review the expenditures to determine whether amended W2's or 1099's should be issued.

Spending Unit's Response

The agency concurs with the recommendation. (See pages 32 and 33.)

Hospitality Expense

7. Our review of hospitality expenditures indicates the OMHST did not report the value of meals furnished to employees as gross income in noncompliance with Title 26, Code of Federal Regulations. Further, no hospitality forms describing the purpose of the hospitality event were located for 17 transactions totaling \$1,008.24 in noncompliance with the State Auditor's Purchasing Card Program Policies and Procedures. Therefore,

we were unable to determine if \$1,008.24 in expenditures were spent for conducting State business.

Auditor's Recommendations

We recommend the OMHST comply with the Title 26, Code of Federal Regulations, Part §1.119-1 and Section 6.11 of the State Auditor's State Purchasing Card Program Policies and Procedures.

Spending Unit's Response

The agency concurs with the recommendation. (See pages 33 - 37.)

Workers' Compensation "Buy Back"

8. We found no evidence to indicate an employee "bought back" 312 sick leave hours used by him - valued at \$4,730.97 - after he received his initial Workers' Compensation Temporary Total Disability (TTD) check as required by Legislative Rule, Title 143. We further noted the OMHST permitted the employee to accrue 62 hours of sick leave while receiving TTD benefits.

Auditor's Recommendations

We recommend the OMHST comply with Legislative Rule Title 143, Series 3 and the Division of Personnel, Workers' Compensation/Sick Leave Policy. We further recommend the OMHST seek payment from the employee for \$4,730.97 and adjust the employee's sick leave accrual balances accordingly.

Spending Unit's Response

The agency concurs with the recommendation. (See pages 37 - 39.)

Noncompliance with Purchasing Division's Policies and Procedures

9. The OMHST circumvented the West Virginia Purchasing Division Policies and

Procedures Handbook by not submitting purchases totaling \$77,612.49 to the Purchasing Division for formal competitive bidding.

Auditor's Recommendation

We recommend the OMHST comply with the Sections 3.3 and 6.1 of the West Virginia Purchasing Division Policies and Procedures Handbook.

Spending Unit's Response

The agency concurs with the recommendation. (See pages 39 - 41.)

Purchasing Card Noncompliance

10. During our test of 50 purchasing card (p-card) transactions, we noted seven transactions where card delegation occurred and 39 transactions that were not reconciled by the cardholder in noncompliance with the State Auditor's Purchasing Card Policies and Procedures and internal OMHST policy.

Auditor's Recommendation

We recommend the OMHST comply with Sections 4.4 and 7.2 of the State Auditor's "State Purchasing Card Program Policies and Procedures" as well as OMHST's internal policies. We further recommend the OMHST strengthen internal controls over card delegation and statement reconciliations.

Spending Unit's Response

The agency concurs with the recommendation. (See pages 41 - 44.)

Annual and Sick Leave

11. During the annual and sick leave test, we found 25 instances during the period under audit where the time sheets did not reflect leave amounts as recorded on the accrual records affecting seven of 10 employees. Our review of annual and sick leave records also

revealed the Payroll Clerk who is responsible for OMHST employee leave accruals, carried a negative annual leave balance ranging from -19.75 to -2.25 at each month's end for the five-month period ending December 31, 2003.

Auditor's Recommendation

We recommend the OMHST comply with Sections 14.3 and 14.14 of the Division of Personnel's Legislative Rule Title 143, Series 1 and strengthen internal controls over leave accruals.

Spending Unit's Response

The agency concurs with the recommendation. (See pages 44 and 45.)

IRS Penalty and Interest

12. During our review of subsequent events, we noted the OMHST paid penalties and interest to the IRS totaling \$1,169.06.

Auditor's Recommendation

We recommend the OMHST comply with IRS Publication 15, Section 11 (Circular E) and maintain supporting documentation for transactions in accordance with Chapter 5A, Article 9, Section 8 of the West Virginia Code.

Spending Unit's Response

The agency does not have any supporting documentation from the IRS for this penalty, however the IRS insisted that we owe the penalty because the quarterly 941 section B for the fourth quarter 2003 was not filed properly with the IRS. Indeed when the payroll clerk began investigating this, she could not find the 941 section B in question and had to prepare for submittal to the IRS during 2006. Thus they reduced the penalty accordingly and charged a late fee. (See pages 46 - 47.)

Annual Report

13. The OMHST has not complied fully with a prior audit recommendation pertaining to annual reports being prepared on a fiscal-year basis.

Auditor's Recommendation

We recommend the OMHST comply with Chapter 22A, Article 1, Section 4, Subsection (b) of the West Virginia Code.

Spending Unit's Response

The agency concurs with the recommendation. (See pages 47 and 48.)

Invoices Paid Untimely

14. We noted 42 instances where the OMHST did not process transactions for payment within ten days from the receipt of invoices; five instances in which the OMHST took longer than fifteen days from the last day of travel before processing the invoice for payment; and five transactions that were not date/time stamped when received.

Auditor's Recommendation

We recommend the OMHST comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code the State Auditor's Office Legislative Rule, Title 155, Series 1, Section 3.9; and West Virginia Purchasing Division Travel Management Unit Travel Rule Section 2.5. We further recommend the OMHST strengthen internal controls over the timely processing of invoices.

Spending Unit's Response

The agency concurs with the recommendation. (See pages 48 - 53.)

WEST VIRGINIA DEPARTMENT OF COMMERCE
WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

GENERAL REMARKS

UNAUDITED

INTRODUCTION

We have completed a post audit of the West Virginia Office of Miners' Health, Safety and Training. The examination covers the period July 1, 2003 through December 31, 2006.

GENERAL REVENUE ACCOUNTS

The following accounts were maintained by the Office of Miners' Health, Safety and Training:

<u>Account Number</u>	<u>Description</u>
0277-001.....	Personal Services
0277-004.....	Annual Increment
0277-010.....	Employee Benefits
0277-099.....	Unclassified
0277-712.....	WV Diesel Equipment Commission
0277-913.....	BRIM Premium

SPECIAL REVENUE ACCOUNTS

The Office of Miners' Health, Safety, and Training maintained the following special revenue accounts. These accounts represent funds from specific activities as required by law or administrative regulations. These funds were deposited with the State Treasurer in the following special revenue accounts:

<u>Fund Number</u>	<u>Description</u>
3350-099	Unclassified
3350-640	Test Fees Fund
3352-099	Unclassified
3352-640	Payroll Clearing Fund
3354-099	Unclassified
3354-545	General Administration - Operating Permit Fee Fund
3355-001	Personal Services
3355-004	Annual Increment
3355-010	Employee Benefits
3355-026	WV Mining Extension Service
3355-099	Unclassified

Test Fees Fund - Account 3350

This account is a special revenue account used to collect examination fees for the many certification examinations given by the Office.

Miners' Health, Safety, and Training Fund- Account 3355

As required by Chapter 22A, Article 1, Section 22 of the West Virginia Code, this account consists of all civil penalty assessments collected by the Office. This account is to be used by the Director who is authorized to spend the moneys for the administration of Chapter 22A of the West Virginia Code.

General Administrative - Operating Permit Fee - Account 3354

As required by Chapter 22A, Article 2, Section 63 of the West Virginia Code, this account consists of all moneys collected by the Office for the approval fees from operating permits. This account shall be used by the Director who is authorized to expend the moneys in the account for the administration of Chapter 22A of the West Virginia Code.

FEDERAL ACCOUNT

The West Virginia Office of Miners' Health, Safety and Training maintained the following accounts which were funded from Federal sources:

<u>Fund Number</u>	<u>Description</u>
8709-096	Unclassified
8709-700	Consolidated Federal Funds General Administration Fund

COMPLIANCE MATTERS

We tested applicable sections of the West Virginia Code, and the spending unit's legislatively approved rules and regulations, as well as, other rules, regulations, policies, and procedures as they pertain to fiscal matters. Our findings are discussed 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 West Virginia Office of Miners' Health, Safety, and Training (OMHST), the OMHST 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 spending unit head to have in place an effective system of internal controls in the form of policies and procedures designed to ensure the spending unit operates in compliance with the laws, rules and regulations which govern it.

During our audit of the OMHST, we found the following violations of State laws or other rules and regulations: **(1)** We were unable to audit approximately \$6,900,000 of receipts for

assessments from mine violations and permit fees and have qualified our Independent Auditor's Report to reflect such; (2) The OMHST did not require 32 employees to prepare time sheets; therefore, we were unable to determine if approximately \$3,800,000 in personal services expenditures and \$975,000 in corresponding employee benefits were made for services rendered for these 32 employees. We have qualified our Independent Auditor's Report to reflect our inability to attest to these transactions.(3) The OMHST had no authority to collect approximately \$760,000 in fees from examinations, certifications, publication sales, and mine contest entries. (4) The OMHST's inventory records are unreliable. (5) The OMHST is not reporting single day travel per diem reimbursements to Board members as taxable income to the Federal Internal Revenue Service. (6) The OMHST paid hospitality expenditures that included meals for employees and did not include the value of the meals when reporting taxable income of the employees to the Internal Revenue Service. (7) The OMHST did not collect approximately \$4,700 from an employee relating to 312 hours of sick leave used by the employee before he received his initial worker's compensation temporary total disability check. (8) The OMHST circumvented purchasing procedures by not submitting purchases totaling\$77,612.49 to the Department of Administration's Purchasing Division for formal competitive bidding. (9) Our test of purchasing card transactions revealed card delegation occurred and instances where employees did not reconcile their individual statements. (10) We found 25 instances where sick and annual leave recorded on employee time sheets did not equal the amounts recorded on the employee accrual records. (11) The OMHST paid an \$1,169.06 penalty to the Internal Revenue Service but did not maintain supporting documentation indicating the reason for the penalty. (12) The OMHST is not

reporting some information in the annual report on a fiscal year basis. (13) Numerous instances of invoices were not timely processed for payment.

We recommend the West Virginia Office of Miners' Health, Safety and Training comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, 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

This agency agrees with this finding of the auditors. As has been mentioned to the auditors, requesting that this audit be conducted was one of the first actions taken by the new director and new administrator. The director assumed his position in early October 2006 and the administrator joined the agency November 1, 2006. This agency made the request for this audit in November 2006 in large part due to the lack of internal controls and proper oversight by previous directors and the previous administrator. The current director and administrator have worked diligently and effectively since November 2006 to begin establishing basic policies and controls regarding overtime pay, compensatory time, flextime, timesheets and other issues. Beginning January 2007, before the audit officially started, some of these controls were already being put in place such as having timesheets signed by the appropriate supervisors and sent in to the payroll office in Charleston for review for payroll purposes and for storage in the payroll section. The administrator has thoroughly reorganized the accounting section of the agency for better oversight, internal control and more efficient and effective services.

Receipts

We are unable to audit assessment receipts resulting from mine statute violations and permit fees that totaled approximately \$6,900,000 for the period July 1, 2003 through December 31, 2006. Based on procedures acquired and our review of accounting records, the OMHST does not have an effective internal control system in place to account for the number of "Notice of Violation" issued by inspectors to mines. The "Notice" is the first stage of the violation process and may result in an assessment (penalty) being levied on a mine. Our inability to determine the population of "Notices" issued during our audit period results in our inability to determine if amounts due the OMHST were assessed and recorded in the accounting records. Secondly, we attempted to reconcile the receipts collected as recorded on the OMHST's internal accounting system - called "SmartTerm" - to actual cash collections as recorded in the State's accounting system and determined the OMHST had collected approximately \$130,000 more than the amounts recorded in "SmartTerm". Lastly, the OMHST does not have an adequate system in place to account for the number of permits ("Certificate of Approval" and "Extension of Certificate of Approval" forms) issued per year; again, without a means to determine our population, we are unable to determine if all permit revenues due the State have been collected. Because of our inability to determine populations of notices and permits issued, as well as the \$130,000 difference noted between receipts deposited and receipts recorded in "SmartTerm", we are unable to determine if receipts due the OMHST have been assessed and collected..

The OMHST is required to make and maintain records as promulgated by Chapter 5A, Article 8, Section 9 of the West Virginia Code, which states in part:

“The head of each agency shall:

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

The OMHST does not use pre-numbered forms for the “Notice of Violation”, “Certificate of Approval” and “Extension of Certificate of Approval”. Pre-numbered forms provide a means for management to be assured that all forms are accounted for. For the “Notice of Violation”, each inspector individually maintains a manual sequential case numbering system and the OMHST has not implemented a tracking system for these numbers that would alert them to unaccounted for notices. The “Notice of Violation” is the first document created to indicate a violation has occurred; therefore, unaccounted for notices could result in penalties not being assessed. We also noted a lack of tracking the “Certificate of Approval” and “Extension of Certificate of Approval” forms (permits) issued to mines and independent contractors as documentation supporting the payment of the \$100 annual fee. Each mine maintains the same permit number year after year so permit numbers are not sequential; therefore, without pre-numbered certificate and extension forms we are unable to determine how many permits were issued.

For the period under audit, we attempted to reconcile the receipts collected per “SmartTerm” with actual cash deposited into WVFIMS - the State’s accounting system; we found cash deposited exceeded amounts recorded in “SmartTerm” by approximately \$130,000. The amounts are detailed in the schedule below:

WVFIMS Account Number	WVFIMS Account Description	WVFIMS Deposit Amount	"SmartTerm" Amount	Difference
3354	Permit Fee Fund	\$ 734,100.00*	\$ 696,390.00	\$ 37,710.00
3355	Miners' Health, Safety and Training Fund	<u>6,122,232.10**</u>	<u>6,030,775.35</u>	<u>91,456.75</u>
Total		<u>\$6,856,332.10</u>	<u>\$6,727,165.35</u>	<u>\$129,166.75</u>

*Total amount deposited after subtracting \$4,500 of revenue refunds and \$9,158 of erroneous deposits provided to us by the spending unit.

**Total amount deposited after subtracting \$11,764 of revenue refunds and \$510,673.38 for an operating funds transfer.

The Administrator of Finance and Personnel stated the differences between the receipts recorded in "SmartTerm" and the deposits recorded into the WVFIMS may be caused by omitted entries or input errors into "SmartTerm". We believe the OMHST should implement procedures to reconcile amounts recorded in "SmartTerm" and amounts deposited per WVFIMS. Also, the OMHST does not maintain a daily itemized record of cash receipts in noncompliance with Chapter 12, Article 2, Section 2 of the West Virginia Code, 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...."

Finally, we noted assessments totaling \$315,453.00 recorded in the "SmartTerm" system and classified as "uncollectible". We believe the OMHST should seek to implement collection procedures as provided in "Claims Due the State", Chapter 14, Article 1, Section 1 of the West Virginia Code which states:

"The auditor, commissioner of finance and administration and any other officer or body authorized by law shall cause appropriate proceedings, in the manner provided for in this article, to be instituted and prosecuted to enforce payment of any debt or liability due the state"

We believe the OMHST's internal control system is weak over the assessment and collection of receipts which increases the risk of fraud occurring and going undetected by management.

We recommend the OMHST comply with Chapter 5A, Article 8, Section 9; Chapter 12, Article 2, Section 2; and, Chapter 14, Article 1, Section 1 of the West Virginia Code. We further recommend the OMHST strengthen internal controls over assessment and permit receipts by implementing an effective system of tracking the number of "Notice of Violations", "Certificate of Approval" and "Extension of Certificate of Approval" issued through the use of pre-numbered forms, reconciling the internal accounting system of receipts to amounts actually deposited, maintaining a daily itemized record of cash receipts and seek to collect amounts due the OMHST.

Spending Unit's Response

The agency agrees with the suggestion of the auditors and has made arrangements to acquire sequentially numbered "notice of violation", "certificate of approval" and "renewal" forms. Additionally, we agree to establish a system of reconciling the internal accounting system of receipts to amounts actually deposited and maintaining a daily itemized record of cash receipts. Also, we have prepared and sent out notices to collect amounts due the OMHST.

Lack of Supporting Documentation for Personal Services

During our audit period, the OMHST did not require 32 of 168 employees to prepare time sheets; therefore, we are unable to obtain sufficient audit evidence to support payments made to these employees totaling approximately \$3,800,000 in personal services and an estimated \$1,325,000 in corresponding employee benefits for the period under audit. 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. Secondly, we noted the OMHST payroll manager did not make payroll compensation based on time sheets for the remaining employees. The payroll policy was to maintain each employee's rate of compensation for each payroll period unless informed otherwise by the regional office where the employee time sheets were maintained. We believe this policy resulted in an employee receiving a \$1,867.48 overpayment because the payroll manager was not informed by a regional office that the employee had quit coming to work and the employee remained on the payroll for two semi-monthly pay periods after his last work day. Lastly, the OMHST granted compensatory time in lieu of overtime during the audit period but did not maintain adequate accrual records of such time earned and taken; therefore, we were unable to audit compensatory leave.

The OMHST is required to make and maintain records as promulgated by Chapter 5A, Article 8, Section 9 of the West Virginia Code, which states in part:

“The head of each agency shall:

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

We believe the OMHST should make and maintain records to document time worked for the above 32 employees to support the personal service and corresponding employee benefit expenditures. Also, 22 of the above 32 employees are required to maintain time sheets because they are governed (non-exempt) by the overtime provisions of the Federal “Fair Labor Standards Act” and subject to Title 29 of the Code of Federal Regulations. Title 29, Code of Federal Regulations, Part 516.2 states in part,

“ . . . (a) Items required. Every employer shall maintain and preserve payroll or other records containing the following information and data with respect to each employee...
. . . (7) Hours worked each workday and total hours worked each workweek. . . .”

Also, the above payments to the employee for services not rendered were made in noncompliance with Chapter 12, Article 3, Section 13 of the West Virginia Code, which states in part:

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

Total personal service and employee benefit expenditures for all OMHST employees during our audit period was \$17,376,224.60 and \$6,057,935.66, respectively. Of the total personal services, \$3,805,448.52 or 21.90% represents compensation for the 32 employees without time sheets. We estimated the corresponding employee benefits for the 32 employees would also equal 21.90% of the total or \$1,326,687.91. The Administrator of Finance and Personnel stated the previous Director and Administrator of Finance and Personnel required only inspectors to prepare time sheets and is unaware of the reason for this decision.

The time sheets prepared by the remaining employees are not submitted to the payroll office but retained at the four regional offices. We were told by the Administrator of Finance and Personnel that an employee's last work day was June 17, 2005; however, the payroll manager was not informed by the Inspector-at-Large of the regional office to remove the individual from the payroll and the employee remained on the arrearage payroll until July 31, 2005. The lack of notification resulted in the employee receiving one month's additional pay in which no work was performed. We believe the time sheets should be submitted to the payroll office to support the payroll instead of being retained at the regional offices. We were provided with copies of two letters sent to the employee seeking reimbursement of the \$1,867.48

overpayment -- one by the OMHST dated March 22, 2006 and the other by an Assistant Attorney General of WV Office of the Attorney General dated July 12, 2006 but no reimbursement has been received as of the date of this report.

We also noted the OMHST did not maintain adequate records of compensatory time earned and taken by its employees during the audit period resulting in our inability to audit compensatory leave. Accounting for compensatory time is governed by Title 29, Code of Federal Regulations, Part §553.50, which states in part:

“...For each employee subject to the compensatory time and compensatory time off provisions of section 7(o) of the Act, a public agency which is a State, a political subdivision of a State or an interstate governmental agency shall maintain and preserve records containing the basic information and data required by §516.2 of this title and, in addition:

- (a) The number of hours of compensatory time earned pursuant to section 7(o) each workweek, or other applicable work period, by each employee at the rate of one and one-half hour for each overtime hour worked;
- (b) The number of hours of such compensatory time used each workweek, or other applicable work period, by each employee;
- (c) The number of hours of compensatory time compensated in cash, the total amount paid and the date of such payment; and
- (d) Any collective bargaining agreement or written understanding or agreement with respect to earning and using compensatory time off. If such agreement or understanding is not in writing, a record of its existence must be kept . . . ”

We recommend the OMHST comply with Chapter 5A, Article 8, Section 9 and Chapter 12, Article 3, Section 13 of the West Virginia Code as well as Title 29, Parts 553.50 and 516.2 of the Code of Federal Regulations. We further recommend the OMHST strengthen internal

controls over personal services, maintain time sheets and compensatory leave records, and continue to seek reimbursement for the \$1,867.48 employee overpayment.

Spending Unit's Response

The lack of control over employee timesheets and therefore hours worked including overtime was noticed by the administrator after his transfer to the agency in November 2006. Accordingly procedures were established in January 2007 whereby all employees in regional offices now complete timesheets for approval by the inspector-at-large for the region. The timesheets are then sent to the Charleston headquarters for review and maintained with payroll records. Timesheets for the inspectors-at-large are approved by the deputy director. Timesheets for all Charleston headquarters employees are approved by their immediate supervisor and forwarded to the payroll office. The payroll office now receives all timesheets and reviews these timesheets along with leave records to ensure leave is being appropriately taken and that appropriate pay is being given for time worked, including overtime. Compensatory time worksheets are also being kept in the payroll office and are checked against all timesheets and leave records involving compensatory time. We have sought and collected a settlement of \$1,400 from . . . the employee who continued being paid beyond his last day of service."

No Authority for Collection of Fees

During our audit period, the OMHST collected approximately \$760,000 in fees for examinations, certifications, sales of publications and entries from contestants for mine rescue contest which they had no statutory authority to collect. We were also unable to locate the statutory authority for the creation and use of the non-appropriated special revenue account "Test

Fee Fund 3350" wherein the above fees are being deposited by the OMHST. Based on our research, the account was established with the State Auditor's Office in 1991.

The Administrator of Finance and Personnel was also unable to locate any statute, rule or regulation that promulgates OMHST assessment and collection of the above fees. He further stated the above fees are used as State matching funds for a federal grant received by the OMHST from the United States Department of Labor. The account's balance as of December 31, 2006 was \$34,751.56 and the receipts and disbursements for the period under audit are as follows;

	Fiscal Year				
As of December 31,	2006	2005	2004	Total	
Cash Receipts:	<u>\$116,382.93</u>	<u>\$281,714.26</u>	<u>\$222,750.55</u>	<u>\$140,003.35</u>	<u>\$760,851.09</u>
Disbursements:					
Personal Services	82,368.27	164,443.55	180,843.76	54,145.00	481,800.58
Employee Benefits	35,578.71	51,601.93	52,185.03	20,901.58	160,267.25
Current Expenses	26,170.91	116,308.64	17,224.52	35,682.63	195,386.70
Other	<u>98.17</u>	<u>944.88</u>	<u>1,758.00</u>	<u>1,291.00</u>	<u>4,092.05</u>
	<u>\$144,216.06</u>	<u>\$333,299.00</u>	<u>\$252,011.31</u>	<u>\$112,020.21</u>	<u>\$841,546.58</u>

We recommend the OMHST collect only those monies that are authorized; we further recommend the OMHST seek legislative authority to assess and collect such monies.

Spending Unit's Response

These fees have been charged since at least 1985 and are for partial reimbursement of the agency's related expenditures. Since this agency was made aware of the lack of authorization for these charges, proposed legislation has been drafted and submitted to the Secretary of Commerce for consideration as part of the Governor's legislative initiatives for the upcoming regular session. Additionally as discussed with the auditors, this funding is used

as required matching funds for the agency's federal grant. It is strongly encouraged by MSHA, that state agencies receiving the training grant generate program income for the matching funds.

Equipment Inventory Unreliable

Because the OMHST did not maintain the West Virginia Fixed Asset Inventory (inventory), we were unable to test the inventory and have determined the inventory unreliable. For items purchased during our audit period, we found 31 disbursements totaling approximately \$140,000 for equipment which appear to contain individual items that are valued at \$1,000 or more but were not recorded on OMHST inventory. We also physically located six pieces of equipment at the OMHST Charleston Office that were not recorded on inventory. Secondly, we were unable to locate six pieces of equipment totaling \$7,743 that were recorded on inventory and acquired prior to July 1, 2003. We are unable to determine the disposition of this equipment. Lastly, the location of four pieces of equipment on the inventory were inaccurate.

The West Virginia Department of Administration, Purchasing Division, Administrative Services Section, Inventory Management and Surplus Property Disposition Policies and Guidelines states in part,

“...3.3 Responsibility:

Agencies are responsible for all property under its jurisdiction, regardless of its state (removable or fixed), origin, or acquisition cost. Agencies are responsible for maintaining equipment from date of purchase to date of retirement, such as keeping equipment secure, entering assets into the WVFIMS Fixed Asset system, conducting physical inventories, submitting annual certification, retiring assets properly, etc **all in accordance with policy and procedures as outlined in this handbook....**

...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. Although not required by the Purchasing Division, agencies may, however, enter property or equipment costing less than \$1,000 in the Fixed Asset system....”

For our audit period, we reviewed WVFIMS (State's accounting system) for equipment purchases from vendors that totaled over \$1,000 in an attempt to identify reportable equipment. We determined a population of 39 transactions totaling \$574,876.04. Of the 39 transactions, we physically observed \$67,663 (11%) of these purchases of which a \$16,064 trailer was not listed on inventory. We identified all equipment acquired during the audit period as recorded on the OHMST June 29, 2007 inventory and attempted to determine if the above 39 purchases were reported on inventory. Based on our comparison, we were unable to find where 31 purchases - mostly computer equipment and totaling \$144,125.24 - were recorded on the inventory list. Because we did not review each transaction and corresponding invoice, the possibility exists that some of these transactions may be for individual equipment items that are less than \$1,000 which would not be reportable property and not required to be inventoried. Further, except for asking OMHST management to provide us the location of the enclosed trailer, we did not attempt to locate the remainder of the equipment below due to our inability to find such equipment because the equipment and corresponding locations were not recorded on inventory. The transactions noted above that were not recorded in inventory follow:

<u>#</u>	<u>Amount</u>	<u>Date Paid</u>	<u>Document ID</u>	<u>Comment</u>	<u>Vendor Name</u>
1	1,214.00	12/2/2003	I006144733	POWER LITE 52C PROJECTOR	Pomeroy
2	1,672.00	4/26/2004	I006362306	HST0438/DELL LAPTOP/D CONAWAY	Pomeroy
3	2,483.00	5/24/2004	I006397960	(2) PIX 501 BUNDLES AND SMARTNET FOR 2600 SERIES ROUTERS	Verizon Network Integration
4	4,233.00	6/25/2004	I006438977	HST0452/TELEPHONE SYSTEM/OAK HILL OFC	Designed Telecommunications Inc
5	1,385.36	7/9/2004	I006435110	HST0454/DELL OPTIPLEX/TIM BRADFORD	TCS Technology Services

<u>#</u>	<u>Amount</u>	<u>Date Paid</u>	<u>Document ID</u>	<u>Comment</u>	<u>Vendor Name</u>
6	1,408.00	7/29/2004	I006493182	CMS0401/DELL OPTIFLEX COMPUTER/K DICKENS	Pomeroy Computer Resources Sales Co
7	22,651.00	8/18/2004	I006519830	HST0455/7 COMPUTERS/MINEMAPPING PROGRAM	Pomeroy
8	1,664.00	3/3/2005	I006761459	HST0525/DELL LATITUDE D505/MINE MAPPING PROJECT/OAK HILL	Pomeroy
9	1,895.00	3/3/2005	I006761481	HST0524/DELL 2300MP PROJECTOR/MINE MAPPING PROJECT/OAK HILL	Pomeroy
10	2,060.00	3/11/2005	I00677899	HST0520/1 DELL COMPUTER FOR MINE MAPPING PROJECT	Ncompass Networks
11	8,450.00	3/14/2005	I006761440	HST0521/(2) DELL WORKSTATIONS FOR MINE MAPPING PROJECT/FAIRMONT OFC	Ncompass Networks
12	1,636.00	6/2/2005	I006921461	HST0549/DELL LATITUDE D505 PM 725 1.6GHZLAPTOP/FAIRMONT OFC FOR TRAINING (SEE I6921530 ATTACHED	Pomeroy
13	2,715.89	7/8/2005	I006972858	HAT0556/DELL POWEREDGE 2800 INTEL XEON 2.8GHZ/SERVER FOR CHAS OFC	Tcs Technology Services
14	1,314.50	7/18/2005	I006986164	DELL OPTIPLEX GX280/T FARLEY	Pomeroy
15	3,380.99	7/28/2005	I006972915	HST0551/FUJITSU TABLET PC MODEL ST5020D/NYLON ATTACHE CASE/OAK HILL MAPPING PROJECT	Tiger Direct Inc
16	4,052.50	7/28/2005	I006972791	HST0557/DELL LATITUDE D810 (2) FOR MINE MAPPING PROJECT	Pomeroy
17	22,357.00	12/6/2005	I007160909	HST0606/IDEAL 45 INCH SCANNER WITH SOFTWARE	Charleston Blueprint Inc
18	1,470.00	3/16/2006	I007299962	HST0612/3 HARD DRIVES, 3 BATTERIES 3 AC/DC COMBOS	Lenovo Us Inc
19	3,492.00	3/16/2006	I007299955	HST0612/3 LAPTOPS	Lenovo Us Inc
20	1,738.00	5/30/2006	I007393980	HST0621/POWER DESKTOP/LAPTOP/80 GB HARD DRIVE/EXTRA THINKPAD 9 CELL BATTERY/AC/ DC CONBO ADAPTER/CARRYING CASE	Lenovo Us Inc
21	1,786.00	5/30/2006	I007394016	HST0624/LAPTOP/ACCESSORIES/CARRYING CASE	Lenovo Us Inc
22	3,064.00	5/30/2006	I007394037	HST0630/THINKPAD POWER LAPTOP/ACCESSORIECARRYING CASE	Lenovo Us Inc
23	1,890.00	7/3/2006	I007439486	HST0625/COLOR LASERJET 4700N PRINTER CHAS OFC	Pomeroy
28	5,985.00	12/8/2006	I007637852	HST0718/5 HP LASERJET PRINTERS	Ncompass Networks
29	8,964.00	12/8/2006	I007637881	HST0726/2 SNAP SERVERS/FAIRMONT/OAK HILL	Ncompass Networks
30**	16,064.00	1/20/2005	I006715398	ENCLOSED TRAILER FOR MIBILE ELECTRICAL TRAINING UNIT	Am Trailer LLC
31	<u>15,100.00</u>	12/11/2006	I007646722	HST0712/3 STANDARD LAPTOPS/7 CARRYING CASES/4 CONFIGURATIONS	Lenovo Us Inc
	<u>\$144,125.24</u>				

** Enclosed Trailer -- Physically Located and Observed

Secondly, we identified eight pieces of equipment at the OMHST Charleston Office that had State inventory tags affixed and appeared to have an acquisition cost of \$1,000 or more to trace back to the inventory list. We found six of these eight items were not recorded on

inventory. Because the six items were not recorded on inventory, we are unable to determine their acquisition date and acquisition cost to determine if any of the six items were included in the schedule above. These six items are as follows:

<u>Tag Number</u>	<u>Item Description</u>
13108	LA30 Companion Printer
14168	IBM Thinkcenter Desktop Computer
13178	HP Printer
13382	Network Station
14163	Hewlett Packard Printer
14204	IBM Thinkcenter Desktop Computer

Further, we randomly selecting 15 of the total 435 equipment items listed on June 29, 2007 inventory and attempted to physically locate these pieces of equipment. Of the 15 items, the first five equipment items selected for testing were either missing or not at the location recorded on inventory. Specifically, a notebook computer could not be located and the remaining four pieces of equipment were not located at the Charleston office as reported on the inventory but subsequently found at the regional offices and physically observed by us. We stopped testing because a minimum error rate of 33.3% (5 of 15) was determined.

Also, the Administrator of Finance and Personnel informed us of five additional items listed on the inventory which were unaccounted for. Based on documentation provided, the previous Administrator of Finance and Personnel had attempted to retire four of the five pieces of equipment with West Virginia State Agency for Surplus Property (WVSASP) on October 3, 2002 but WVSASP rejected the retirement request form. These five items plus the notebook computer noted above are depicted in the following table:

<u>Tag Number</u>	<u>Item Description</u>	<u>Acquisition Date</u>	<u>Acquisition Cost</u>
11482	Grid CPU	6/19/1992	\$1,624.00
12501	Notebook Computer	5/5/1994	2,000.00
11734	Printer	2/22/1993	1,349.00
12177	Hyundai Base Unit	10/5/1993	935.00
12179	Hyundai Base Unit	10/05/1993	935.00
12181	Hyundai CPU	5/01/1995	<u>900.00</u>
	Total		<u>\$7,743.00</u>

We are unable to determine the disposition of the unaccounted for equipment noted above.

We were told by spending unit personnel that the former Administrator of Finance and Personnel recorded inventory in the West Virginia Fixed Asset System and managed the disposal of inventory. Because the Administrator retired prior to our audit, we are unable to determine why inventory was not maintained.

We recommend the OMHST comply with Section 3.3 and 3.6 of the State of West Virginia Department of Administration, Purchasing Division, Administrative Services Section, Inventory Management and Surplus Property Disposition Policies and Guidelines. In order to safeguard equipment from unauthorized use or disposition, we further recommend the OMHST perform a physical inventory and adjust the WV Fixed Asset Inventory accordingly to account for reportable property.

Spending Unit's Response

The agency is aware that this is another area of deficiency that was not properly maintained by the previous administrator. We intend to do a complete physical inventory during the fall of 2007. One member of the OMHST staff will be assigned the duty of inventory

management and it will be that staff member's responsibility to assure that all fixed assets are inventoried and tracked.

Single Day Travel Per Diem Not Report As Taxable Income

The OMHST is not reporting board member travel per diem for single day travel as taxable income. We noted in our test of travel three of seven travel expense reimbursements to Board members were for single day travel that consisted of a \$55 per diem allowance plus mileage. The Administrator of Finance and Personnel stated he was not aware that he was supposed to report board member's expense reimbursement per diem for single day travel as taxable income. The Federal Internal Revenue Service's Publication 15, "Circular E, Employer's Tax Guide" states in part:

"Nonaccountable plan. Payments to your employee for travel and other necessary expenses of your business under a nonaccountable plan are wages and are treated as supplemental wages and subject to income tax withholding"

Publication 463, Travel, Entertainment, Gift and Card Expenses" defines nonaccountable travel plans as follows:

". . . A nonaccountable plan is a reimbursement or expense allowance arrangement that does not meet one or more of the three rules listed earlier under Accountable Plans. In addition, even if your employer has an accountable plan, the following payments will be treated as being paid under a nonaccountable plan: . . . Reimbursement of nondeductible expenses related to your employer's business. . ."

Publication 17, "Your Federal Income Tax For Individuals", states in part,

"...Travel Expenses You Can Deduct

lodging and meals your lodging and meals if your business trip is overnight or long enough that you need to stop for sleep or rest to properly perform your duties...."

Expenses for the following boards and commissions are paid from the OMHST accounts: Board of Miner Training, Education and Certification; Mine Inspectors' Examining Board; Board of Appeals; Mine Safety Technology Task Force and the Diesel Commission. Members of the above boards and commission are paid the same compensation and expense reimbursement that members of the Legislature for their interim duties. Thus, each member receives compensation of \$150 per day for each board meeting attended. Also, each member who stays overnight receives \$115 per day as per diem allowance and each member who commutes daily receives \$55 per day as per diem allowance and, in addition to the allowance, is reimbursed for overnight commuting expenses at the mileage rate approved by the Travel Management Office (TMO), not to exceed \$115.

We recommend the OMHST comply with Publication 15, 463 and 17 of the Internal Revenue Service and report board member expense reimbursement for single day travel as taxable income. We further recommend the OMHST review the expenditures to determine whether amended W2's or 1099's should be issued.

Spending Unit's Response

Staff and employees of the OMHST were not aware of this rule, the agency will comply.

Hospitality Expense

Our review of hospitality expenditures indicates OMHST did not report the value of meals furnished to employees as gross income in noncompliance with Title 26, Code of Federal Regulations. Further, no hospitality forms describing the purpose of the hospitality event were located for 17 transactions totaling \$1,008.24 in noncompliance with the State Auditor's

Purchasing Card Program Policies and Procedures. Therefore, we are unable to determine if \$1,008.24 in expenditures were spent for conducting State business.

Title 26, Code of Federal Regulations, Part §1.119-1 which states in part,

“(a) Meals – (1) In general. The value of meals furnished to an employee by his employer shall be excluded from the employee’s gross income if two tests are met: (I) The meals are furnished on the business premises of the employer and (ii) the meals are furnished for the convenience of the employer”

Section 6.11 of State Auditor’s State Purchasing Card Program - Policies and Procedures states in part:

“...**Hospitality**: Hospitality documentation must remain consistent regardless of the method of payment. A hospitality form (see Appendix 8) is provided for your convenience. This form is not required; however the information requested on the form must be documented and available to the Purchasing Card Program....”

State of West Virginia Expenditure Schedule Instructions for fiscal years 2003 through 2007 state in part:

“...**042 - Hospitality**: Food, nonalcoholic beverages and related expenses for the reception of guests by a spending agency for a specific event or function relating to conducting state business. . . .”

Our review found 11 transactions totaling \$567.73 for business lunches which appear to have occurred at restaurants and attended by employees only. We believe these meals are taxable income since the meals were not furnished on the business premises of the employer as required in the criteria above. These transactions are detailed below:

<u>Transaction_</u> <u>Date</u>	<u>No. of</u> <u>Employees</u>	<u>Total</u> <u>Hospitality</u> <u>Paid</u>	<u>Purpose</u>	<u>Vendor</u>	<u>Pcard</u> <u>Holder/Employee</u> <u>Making Purchases</u>
12/11/2003	3	\$ 19.94	Business lunch meeting - traveled to mine site	Pizza Hut	Former Director
04/19/2004	2	23.99	Meeting with inspector at large	Bob Evans Restaurant	Former Director
06/01/2004	11	104.94	Summer intern orientation class - June 1 (students, staff and faculty lunch)	Fresh & Natural	Engineer
06/02/2004	11	104.94	Summer intern orientation class - June 2 (students, staff and faculty lunch)	Fresh & Natural	Engineer
11/18/2004	5	37.56	Business lunch with interns in Beckley	Peking Chinese Super Buffet	Engineer
01/26/2005	5	34.00	Business lunch with interns in Beckley	Peking Chinese Super Buffet	Engineer
07/08/2005	9	93.53	Lunch with summer interns.	Chico's Restaurant	Engineer
07/13/2005	8	57.04	Business lunch with interns in Beckley	Peking Chinese Super Buffet	Engineer
09/12/2005	2	17.13	Lunch meeting with inspector	Cracker Barrell	Former Director
05/31/2006	6	49.18	Lunch for inspector at large staff meeting	Bluegrass Kitchen	Former Acting Director
12/04/2006	3	25.48	Discuss regional supervisors - investigations	Shoney's	Deputy Direct
		<u>\$567.73</u>			

Secondly, we noted ten transactions for meals at restaurants where employees attended as well as guests and these transactions totaled \$394.47. Lastly, we noted two transactions where meals were provided to employees on OMHST premises totaling \$154.15 and two transactions for \$58.93 for soft drinks, coffee and fruit baskets. We believe the OHMST should draft a formal policy for consideration of West Virginia Ethics Commission for hospitality expenses incurred for employees.

The follow table details the p-card transactions for hospitality that did not contain a form to describe the purpose of the hospitality event:

WVFIMS ID	<u>Amount</u>	Transaction Date	Vendor's Name
I006148599	\$ 139.93	10/03/2003	Food Lion
I006641337	97.65	10/01/2004	Subway
I006641337	140.80	10/12/2004	USA Steak Buffett
I006641337	218.73	10/01/2004	Shoney's
I006803945	32.95	02/08/2005	Kroger
I007589473	15.54	09/28/2006	Walmart
I007629120	39.80	10/25/2006	Bigley Food Land
I007657444	22.99	11/15/2006	WM Super Center
I007699417	25.98	12/06/2006	Kroger
I007699417	49.88	12/10/2006	Save a Lot
I007699417	67.35	12/18/2006	Subway
I007273439	22.81	01/22/2006	Exxon Mobil
I007273439	23.98	01/30/2006	J C Maggies
I007273439	37.45	01/12/2006	J C Maggies
I007273439	44.12	01/18/2006	Grand China Buffet
I007273439	12.00	01/26/2006	Bob Evans Rest
I007309423	<u>16.28</u>	02/14/2006	Bob Evans Rest
Total	<u>\$1,008.24</u>		

Without hospitality forms, we are unable to determine if the hospitality expenditures were made for purposes related to conducting state business as described in the expenditure schedule instructions.

We recommend the OMHST comply with the Title 26, Code of Federal Regulations, Part §1.119-1 and Section 6.11 of of State Auditor's State Purchasing Card Program Policies and Procedures.

Spending Unit's Response

Again, the agency staff and employees were not aware of this rule, the agency will comply. The agency will also, as suggested by the auditors, draft a formal policy for consideration by the Ethics Commission related to hospitality expenditures and the agency will comply with providing and maintaining hospitality forms for all hospitality expenditures.

Worker's Compensation "Buy Back"

We found no evidence to indicate an employee "bought back" 312 sick leave hours used by him - valued at \$4,730.97 - after he received his initial Workers' Compensation Temporary Total Disability (TTD) check as required by Legislative Rule, Title 143. We further noted the OMHST permitted the employee to accrue 62 hours of sick leave while receiving TTD benefits. Legislative Rule, Title 143, Series 3 for Workers' Compensation Temporary Total Disability states in part:

“. . . b. Interim Payment of Sick Leave

1. An employee electing to receive temporary total disability benefits may collect sick leave benefits and, upon exhaustion of sick leave benefits, annual leave benefits until he or she receives temporary total disability benefits.

1. Upon receipt of the initial temporary total disability payment the employee shall pay or assign to his or her employer the net value of the sick leave, or sick and annual leave paid, after which his or her sick leave and annual leave, if used, shall be restored. . . .”

The Division of Personnel, Workers' Compensation/ Sick Leave Policy, effective November 1, 2005, states in part:

"...B. Election to receive TTD Benefits

1. An employee electing to receive TTD benefits must apply for a leave of absence without pay in accordance with the provisions of subsection 14.8 of the *Administrative Rule* of the Division of Personnel (143CSR1).

...c. Sick leave shall not accrue while an employee is on such leave of absence without pay and holidays occurring during this period will not be paid.

2. If an employee elects to receive TTD benefits, paid leave (sick/annual after exhausting sick) may be utilized only until the initial benefit check is received.

a. When the initial TTD check is received, the employee must reimburse his employer the net value of sick and annual leave benefits paid, according to the formula designated in this policy. (See Page 7, Attachment 2). Such paid leave shall be restored to the employee's leave balance.

b. Any employee who refuses to reimburse the net value of the paid sick/annual leave to his employer shall be subject to disciplinary action and deductions from subsequent paychecks shall be made until the total amount of paid leave used is reimbursed. Such deductions will be made in accordance with the West Virginia Division of Labor regulations on wage payments and collections. The employee and the employing agency shall complete the Assignment of Future Wages form...."

We calculated the "buy back" value of the above 312 hours of sick leave at \$4,730.97. We found no evidence the employee paid this amount to "buy back" his 312 sick leave hours used by him before he received his initial TTD check. We located a copy of an "Assignment of Future Wages" form in the employee's personnel file that had been signed by the employee, notarized on December 21, 2005 and contained a notation "Holding for Originals"; the employer

endorsement portion of the form was blank. Additionally, the employee accrued 62.43 hours of sick leave during his leave of absence in noncompliance with the above policy.

The Payroll Manager stated the previous Administrator of Finance and Personnel was in charge of the Workers' Compensation procedures for the employees; therefore, we are unable to determine why the policy was not followed.

We recommend the OMHST comply with Legislative Rule Title 143, Series 3 and the Division of Personnel, Workers' Compensation/ Sick Leave Policy. We further recommend the OMHST seek payment from the employee for \$4,730.97 and adjust the employee's sick leave accrual balance accordingly.

Spending Unit's Response

We have contacted the auditors October 1, 2007 to get the claim number or the name of the individual so that we may check our records. We will contact the employee about repayment and will notify the employee of the need to adjust leave records by 62.43 hours improperly accrued.

Noncompliance with Purchasing Division's Policies and Procedures

The OMHST circumvented the West Virginia Purchasing Division Policies and Procedures Handbook by not submitting purchases totaling \$77,612.49 to the Purchasing Division for formal competitive bidding. The West Virginia Purchasing Division Policies and Procedures Handbook dated December 1, 2000 states,

“3.3 Formal Acquisitions (Over \$10,000): The Purchasing Division of the Department of Administration is responsible for acquiring all commodities and services on behalf of the state. Agencies under the executive branch of state government are required to process purchases expected to exceed \$10,000 through the Purchasing Division, unless statutorily exempt . . .

6.1 Definition of Authority . . . state agencies may make purchases in the amount of \$10,000 or less of certain commodities and services. The \$10,000 limit shall be determined based on any of the following conditions: 1. A one-time payment of \$10,000 or less made within a twelve (12) month period. 2. Monthly payments of approximately \$833.33 or less for twelve (12) consecutive months. 3. Periodic payments made in any dollar amount as long as the total amount is \$10,000 or less in a twelve (12) month period. . . .”

The OMHST made numerous purchases from a mine supply vendor and the cumulative yearly totals exceeded the \$10,000 agency acquisition limit for fiscal year 2004, 2005 and 2006. The Division of Purchasing’s policies and procedures handbook does not permit State agencies to make periodic purchases that exceed \$10,000 in a 12-month period without formal competitive bidding through the Purchasing Division. The cumulative payments made to the vendor are listed below:

<u>Vendor Name</u>	<u>Fiscal Year</u>	<u>Amount</u>
United Central Industrial Supply	2004	\$18,437.52
United Central Industrial Supply	2005	19,068.50
United Central Industrial Supply	2006	<u>40,106.47</u>
Total		<u>\$77,612.49</u>

The Administrative Secretary stated the OMHST does not have a contract with United Central Industrial Supply and the State Auditor’s Office had advised her to obtain a contract with the Purchasing Division for these services.

We recommend the OMHST comply with the Sections 3.3 and 6.1 of the West Virginia Purchasing Division Policies and Procedures Handbook.

Spending Unit's Response

Agency personnel had no way of knowing the amount of equipment needed in any given year. The agency is currently working with suppliers and the Purchasing Division to obtain a price list and an open-end contract.

Purchasing Card Noncompliance

During our test of 50 purchasing card (p-card) transactions, we noted seven transactions where card delegation occurred and 39 transactions that were not reconciled by the cardholder in noncompliance with the State Auditor's Purchasing Card Policies and Procedures and internal OMHST policy. Section 4.4 of the above procedures pertaining to card delegation states in part,

“...Card delegation is prohibited. Card delegation is the practice of allowing an individual other than the cardholder whose name appears on the front of the Pcard to have access to the card or card number to initiate or complete a transaction. Card delegation increases the risk of fraud and cardholder liability.

Card Delegation includes allowing an individual other than the cardholder to:

- Have physical possession of the card to make payments to point of sale vendors;
- have access to the card number and expiration date to make payments via telephone, internet, or in person;
- have access to receipts or invoices that display the card number and expiration date.

Pcards are issued in an individual employee's name. Only that person named on the card is the authorized user....”

For reconciliations, Section 7.2 of the West Virginia State Auditor's “State Purchasing Card Program Policies and Procedures” states in part:

“...Each cardholder is responsible for ensuring that his or her statement is reconciled every month. The Spending Unit card coordinator or chief financial officer is responsible for ensuring the reconciliation of the master account(s). Cardholder's must review all transactions to ensure that they are legitimate, for official state business, and that all required documentation is included....

Cardholder's may be required to sign an individual statement and submit it to the appropriate office in accordance with the Spending Unit's guidelines. The signed statement should be filed with that month's corresponding receipts.

Upon completion of reconciliation, the cardholder must forward his or her documentation to the Spending Unit's appropriate Pcard coordinator for review....”(Emphasis added).

Also, our documented p-card procedures of the OMHST's individual statement reconciliations follow:

“...Each month, purchasing card holders receive their individual statements and the Accounting Technician III receives the master statement detailing all purchasing card activity within the OMHST. The Accounting Technician III stated that the P-card holders are supposed to reconcile their individual statements to the items that they purchased....She further stated that the P-card holders are supposed to sign their individual statements and forward them to her each month indicating their reconciliation....”

The seven transactions where card delegation occurred are detailed below:

<u>S-Document Number</u>	<u>Vendor Name</u>	<u>Transaction Date</u>	<u>Amount</u>
S002556863	Beckley Welding Supply, Inc.	4/3/04	\$ 8.60
S002608793	United Central Industrial Supply Company, LLC	5/5/04	312.00
S003004230	United Central Industrial Supply Company, LLC	2/11/05	209.00
S003326482	Office Max	9/21/05	355.36
S003342246	Appalachian Tire	9/30/05	303.56
S003531282	Appalachian Tire	2/8/06	366.20

S003687287 CSE Corporation

5/23/06

33.79

Total

\$1,588.51

For the transactions noted above, card delegation occurred when (1) an office assistant signed a p-cardholders log sheet on his behalf because he was unavailable and the supporting documentation with the log sheet contained the p-card numbers; (2) for three transactions, an employee other than the card holder signed the credit card receipt that contained the p-card number; (3) two transactions were received by employees who signed supporting documentation (invoice and packing slip) as received and the documents contained the p-card number; and (4) a fax order form containing a p-card number was initialed by a supervisor of the holder indicating the order was approved. An Accounting Technician III stated there are instances (i.e., the purchase of tires) where someone other than the p-card holder will obtain the item or services that were purchased with the p-card. In the event of the purchase of tires, the employee who is assigned to the vehicle would take the vehicle to the vendor to get the tires and obtains the receipt from the vendor. She stated that some vendors provide documentation which details the account number and expiration date of the p-card which was used, while other vendors do not.

P-card holders indicate transactions have been reconciled by submitting an individual signed statement for each transaction. Specifically, 15 transactions had no p-card statement support and an additional 24 transactions where a p-card statement was submitted but unsigned by the p-card holder. Without signed p-card statements, we are unable to determine whether the p-card holder reviewed all transactions to ensure that they were legitimate, for official state business, and all required documentation was submitted.

We recommend the OMHST comply with Sections 4.4 and 7.2 of the State Auditor's "State Purchasing Card Program Policies and Procedures" as well as internal OMHST's

policies. We further recommend the OMHST strengthen internal controls over card delegation and statement reconciliations.

Spending Unit's Response

All p-card holders will be advised of proper use and procedures including non-delegation and individual reconciliation.

Annual and Sick Leave

Using professional judgment we selected ten employees who maintained weekly time sheets for the annual and sick leave test and found 25 instances during the period under audit where the time sheets did not reflect leave amounts as recorded on the accrual records affecting seven of the 10 employees. Our review of annual and sick leave records also revealed the Payroll Clerk, who is responsible for OMHST employee leave accruals, carried a negative annual leave balance ranging from -19.75 to -2.25 at each month's end for the five-month period ending December 31, 2003.: Section 14.14 of the Administrative Rule of the 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.”

Further, Section 14.3 (c) of the above rules states:

“...Annual leave may not be granted in advance of the employee's accrual of the leave . . . ”

The cumulative effect on the seven employees for the 25 instances of recording errors resulted in sick leave balances being overstated by 37.5 hours and understated by 34.5; annual leave balances were overstated by 61 and understated by 52 hours. We believe the leave

recording errors occurred because the time sheets are maintained at the regional offices and the OMHST has not implemented a reconciliation process between leave time taken per the time sheet and leave recorded on the accrual record. We also believe the OMHST should strengthen internal controls over supervisory review of time sheets; we noted in our test, 308 weekly time sheets did not contain a supervisor's signature.

The Payroll Clerk stated her annual leave balance became negative as a result of a Leave Application for 34 hours of annual leave taken in August 2003 not being recorded timely due to her oversight. According to the Payroll Clerk, the 34 hours of annual leave was not recorded on the accrual record until the end of the December 2003; therefore, she was unaware that she did not have a sufficient balance of annual leave to cover her absence at that time. The payroll clerk maintained a positive annual leave balance for the rest of our audit period.

We recommend the OMHST comply with the Sections 14.3 and 14.14 of Division of Personnel's Legislative Rule Title 143, Series 1 and strengthen internal controls over leave accruals.

Spending Unit's Response

With all timesheets now coming to the Charleston headquarters payroll office for review, this issue is now resolved. The staff member who reviews the timesheets is also responsible for the accruals which are now entered using a streamlined online system developed by the Department of Administration. Additionally the payroll clerks time is now being recorded and checked by the administrator to assure against the future possibility of discrepancies.

IRS Penalty and Interest

During our review of subsequent events, we noted the OMHST paid penalties and interest to the IRS on April 20, 2007. We noted the IRS initially charged the OMHST a penalty of \$7,658.41; however, this amount was decreased by \$6,681.56 and increased by \$192.21 of interest. Thus, the net balance due and paid to the IRS was \$1,169.06. We were unable to determine what caused the error due to lack of supporting documentation.

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. . . .”

Further, Internal Revenue Service Publication 15 (Circular E), Section 11, states in part:

“...You are required to deposit 100% of your tax liability on or before the deposit due date. However, penalties will not be applied for depositing less than 100% if both of the following conditions are met.

Any deposit shortfall does not exceed the greater of \$100 or 2% of the amount of taxes otherwise required to be deposited and The deposit shortfall is paid or deposited by the shortfall makeup date as described....”

The Administrator of Finance and Personnel, stated this penalty was due to an error on the December 2003 Form 941 - Employer’s Quarterly Federal Tax Return. No additional documentation was provided to us by the OMHST except for a Federal Internal Revenue Service (IRS) invoice which did not indicate the specific reason for the penalty but invoiced amounts due. The OMHST incurred and paid penalties and interest to the IRS for which funds were not

appropriated. These moneys could have been used for other authorized expenditures for the benefit of the State of West Virginia.

We recommend the OMHST comply with IRS Publication 15, Section 11 (Circular E) and maintain supporting documentation for transactions in accordance with Chapter 5A, Article 9, Section 8 of the West Virginia Code.

Spending Unit's Response

The agency does not have any supporting documentation from the IRS for this penalty, however the IRS insisted that we owe the penalty because the quarterly 941 section B for the fourth quarter 2003 was not filed properly with the IRS. Indeed when the payroll clerk began investigating this, she could not find the 941 section B in question and had to prepare for submittal to the IRS during 2006. Thus they reduced the penalty accordingly and charged a late fee.

Annual Report

The OMHST has not complied fully with a prior audit recommendation pertaining to annual reports being prepared on a fiscal-year basis. The post audit of the OMHST for the period October 15, 1991 through June 30, 1995 reported the OMHST submitted annual reports to the Governor and the Legislature prepared on a calendar-year basis instead of a fiscal-year basis as required by statute. The OMHST responded to our recommendation as follows:

“The agency currently prepares our annual report on a calendar basis to coincide with the mining industry and federal statistical reports. A separate report will be issued that is in full compliance with the West Virginia Code.”

During our review of the annual reports of the OMHST, we noted the OMHST is reporting financial information on a fiscal year basis but other information required by statute is reported on

a calendar year basis. Chapter 22A, Article 1, Section 4, Subsection (b) of the West Virginia Code states in part:

“...The director of the office of miners' health, safety and training has full charge of the division. The director has the power and duty to:

(8) Make annually a full and complete written report of the administration of the office to the governor and the Legislature of the state for the year ending the thirtieth day of June. The report shall include the number of visits and inspections of mines in the state by mine inspectors, the quantity of coal, coke and other minerals (excluding oil and gas) produced in the state, the number of individuals employed, number of mines in operation . . .the total funds of the office from all sources identifying each source of such funds, the expenditures of the office, the surplus or deficit of the office at the beginning and end of the year . . .”

The Director and the Administrator of Finance and Personnel stated they were unaware of the OMHST annual reporting requirements.

We recommend the OMHST comply with Chapter 22A, Article 1, Section 4, Subsection (b) of the West Virginia Code.

Spending Unit's Response

OMHST staff has always prepared all non-financial information in the annual report on a calendar basis and the preparers of the report were not apprised of the previous audit recommendation. All future annual reports will be prepared on a fiscal year basis.

Invoices Paid Untimely

We noted 42 instances where the OMHST did not process transactions for payment within ten days from the receipt in noncompliance with Chapter 5A, Article 3, Section 54 of the West Virginia Code which states in part,

“...(3) For purposes of this subsection, an invoice shall be deemed to be received by a state agency on the date on which the invoice is

marked as received by the agency, or three days after the date of the postmark made by the United States postal service as evidenced on the envelope in which the invoice is mailed, whichever is earlier...

(d) The state agency initially receiving a legitimate uncontested invoice shall process such invoice for payment within ten days from its receipt....”

The transactions in which invoices were not processed timely are detailed in the following table:

WVFIMS ID	Invoice Amount	Invoice Date Received	Date Processed	Number of Days*
I007534458	\$ 20.45	09/08/2005	09/08/2006	301
I007528213	1,173.94	07/11/2006	09/01/2006	35
I006537953	2,156.00	07/26/2004	08/30/2004	25
I006537965	4,358.50	08/10/2004	08/30/2004	14
I006970068	95.53	06/16/2005	07/06/2005	12
I006862151	176.39	04/06/2005	04/21/2005	11
I007273439	283.33	02/06/2006	02/22/2006	11
I007063236	11,446.25	08/03/2005	09/07/2005	24
I007087861	13,718.75	09/07/2005	09/26/2005	13
I007125911	12,781.25	10/04/2005	10/27/2005	16
I007185837	13,485.00	11/14/2005	12/14/2005	21
I007413247	12,141.25	05/10/2006	06/07/2006	19
I007556593	13,448.75	09/06/2006	09/27/2006	15
I007605056	14,092.50	10/11/2006	11/01/2006	15
I006761398	151,424.00	02/10/2005	03/10/2005	18
I006391110	90,118.00	04/09/2004	05/17/2004	25
I007613943	66,690.54	10/16/2006	11/08/2006	16
I007542298	40,186.91	07/12/2006	09/14/2006	45

WVFIMS ID	Invoice Amount	Invoice Date Received	Date Processed	Number of Days*
I007439308	250.00	11/28/2005	06/28/2006	148
I006733098	25.00	09/13/2004	02/03/2005	95
I006983911	867.00	01/07/2005	07/13/2005	130
I006176234	1,859.00	10/05/2003	12/10/2003	23
E000564905	110.00	11/15/2004	01/07/2005	34
I006879625	60.00	01/31/2005	05/03/2005	66
I006997129	1,363.30	06/28/2005	07/27/2005	21
I007394114	325.00	05/05/2006	05/23/2006	11
E000605237	22,451.00	07/08/2005	09/07/2005	41
E000653830	34,844.00	05/11/2006	06/28/2006	32
E000666389	26,116.00	09/11/2006	09/27/2006	12
I007117429	180.44	09/27/2005	10/18/2005	14
E000620059	488.76	11/17/2005	12/05/2005	11
E000509549	9,271.24	09/19/2003	10/21/2003	22
I006428832	207.24	05/10/2004	06/11/2004	24
I007109700	7,677.78	09/08/2005	10/19/2005	28
I006485112	448.00	07/07/2004	07/23/2004	12
I006224461	11.17	12/18/2003	01/15/2004	16
I006634014	1,030.25	10/19/2004	11/12/2004	22
E000623642	21.88	10/24/2005	01/16/2006	48
I007421208	3,157.29	03/21/2006	06/12/2006	58
I007456337	48.30	06/07/2006	06/12/2006	23
E000644662	41,011.66	04/02/2006	05/12/2006	29
I007243071	<u>14.00</u>	11/30/2005	02/22/2006	<u>56</u>
Total	<u>\$599,635.65</u>		Average	38 days

* Excluding State holidays and weekends.

We noted five instances in which the OMHST took longer than 15 days from the last day of travel before processing the invoice for payment, taking into account State holidays and weekends, in noncompliance with West Virginia Purchasing Division Travel Management Unit, Travel Rules Section 2.5 which states in part,

“...Approval of traveler’s expense account settlement by the state agency means that the expense account settlement meets all criteria established by this rule for reimbursement. The state agency shall audit and submit an accurate expense account settlement for reimbursement to the Auditor’s Office within 15 days after completion of travel.”

The travel transactions are detailed in the table below:

<u>WVFIMS Number</u>	<u>Transaction Amount</u>	<u>Last Day of Travel</u>	<u>Date Processed</u>	<u>Number of Days*</u>
I006700498	\$ 52.50	December 13, 2004	January 7, 2005	17
I007588006	115.00	July 25, 2006	October 19, 2006	60
I006310074	225.90	February 18, 2004	March 16, 2004	19
I006057228	362.05	August 14, 2003	September 12, 2003	21
I007095404	<u>471.30</u>	August 28, 2005	September 30, 2005	<u>24</u>
Total	<u>\$1,226.75</u>		Average	28 days

* Excluding State holidays and weekends.

Further, we noted invoices for five transactions were not date stamped when received in noncompliance with the State Auditor’s Office Legislative Rule, Title 155, Series 1, Section 3.9., states in part:

“...In order to comply with W. Va. Code §5A-3-54, the Prompt Pay Act of 1990, the Auditor requires that all invoices be date stamped, either manually or electronically, upon receipt by the state agency...”

These transactions that were supported by invoices that were not date stamped are detailed in the following table:

<u>WVFIMS Number</u>	<u>Transaction Amount</u>	<u>Date Received</u>	<u>Date Processed</u>	<u>Number of Days</u>
E000665799	\$ 480.00	undeterminable	09/22/2006	undeterminable
I007320602	49.18	undeterminable	05/31/2006	undeterminable
I007384942	24.94	undeterminable	05/31/2006	undeterminable
I007501663	36.38	undeterminable	08/11/2006	undeterminable
E000666403	<u>41,870.48</u>	undeterminable	09/27/2006	undeterminable
Total	<u>\$42,460.98</u>			

The Accounting Technician III provided numerous reasons why the invoices were not processed timely including, but not limited to, being on vacation and a temporary employee performed her duties relating to vendor payments, waiting for the West Virginia Department of Administration's Purchasing Division's approval of purchase orders, waiting on the completed receiving reports, invoices delayed because the OMHST did not having sufficient funds to pay the invoices due to the extra expenses incurred during the Sago Mine Disaster, etc. The Accounting Technician III was unable to provide us with explanations for some late payments stating the invoices may have been inadvertently set aside and overlooked. Regarding payments for p-card charges, the Accounting Technician III stated the OMHST is required by the State Auditor's Office to process the payment of the p-card master statement and remit the required supporting documentation to the State Auditor's Office by the 22nd of each month which may be longer than ten days from receipt of the invoice; however, we noted the above criteria does not exclude p-card invoices from the ten day processing time limit.

We recommend the OMHST comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code the State Auditor's Office Legislative Rule, Title 155, Series 1, Section 3.9; and West Virginia Purchasing Division Travel Management Unit Travel Rule Section 2.5. We further recommend the OMHST strengthen internal controls over the timely processing of invoices.

Spending Unit's Response

This issue has been resolved by the new administrator and the restructuring of the accounting section of the agency.

INDEPENDENT AUDITORS' REPORT

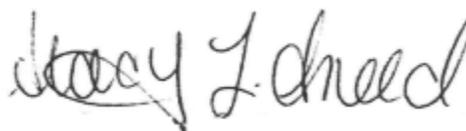
The Joint Committee on Government and Finance:

We were engaged to audit the accompanying Statement of Appropriations/Cash Receipts, Expenditures/Disbursements, and Changes in Fund Balances of the Office of Miners' Health, Safety and Training as of December 31, 2006 and for the years ended June 30, 2006 and June 30, 2005. The financial statement is the responsibility of the management of Office of Miners' Health, Safety and Training.

We were unable to obtain sufficient audit evidence to determine if amounts due the Office of Miners' Health, Safety and Training, from assessments derived from mine statute violations as well as permit fees, had been recorded and collected in the Miners' Health, Safety & Training Fund 3355 and the Operating Permit Fee Fund 3354 because the Office did not maintain adequate accounting records. Specifically, the Office did not have an effective system in place to track the number of "Notice of Violation", "Certificate of Authority" and "Extension of Certificate of Authority" forms issued – these forms generate assessments and fees. Because of our inability to determine the number of forms issued, we are unable to determine if receipts due the Office were recorded into the accounting system. We further attempted to reconcile the receipts recorded in the internal accounting system to amounts actually deposited and determined the Office had collected \$129,166.75 more than amounts recorded. Total receipts deposited for these two funds during the period July 1, 2004 through December 31, 2006 totaled \$5,297,206.70. Secondly, 32 of 168 employees did not prepare time sheets; therefore, we were unable to obtain sufficient audit evidence to support an estimated \$2,739,588.72 and \$952,387.40 of personal services and employee benefit expenditures, respectively, for the period July 1, 2004 through December 31, 2006.

Since the Office of Miners' Health, Safety and Training did not maintain adequate accounting records as described above and we were not able to apply other auditing procedures to satisfy ourselves as to receipts due and collected for assessments and permits, as well as our inability to determine if personal services and employee benefit payments totaling approximately \$3,700,000 were made in accordance with the laws, rules and regulations that govern these payments because of the lack of supporting documentation, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement.

Respectfully submitted,



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

August 22, 2007

Auditors: Jean Ann Krebs, CPA, Audit Manager
K. Michelle Hodge, Auditor-in-Charge
Amy M. Thorne, CPA, Auditor II
Debra Burkhardt, Auditor II
Erin Hardy, Auditor II
Sheela S. Francis, Auditor II
Alla A. Long, Auditor I

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING
**STATEMENT OF APPROPRIATIONS /CASH RECEIPTS, EXPENDITURES/
DISBURSEMENTS AND CHANGES IN FUND BALANCES**

For the Period Ended December 31, 2006

	<u>General Revenue</u>	<u>Special Revenue</u>	<u>Federal Programs</u>	<u>Combined Totals</u>
Appropriations/Cash Receipts:				
Appropriations	\$6,012,536.00	\$ 0.00	\$ 0.00	\$6,012,536.00
Operating Permit Fees	0.00	34,144.00	0.00	34,144.00
Violations of Mining Health & Safety Rules	0.00	968,070.00	0.00	968,070.00
Tuition and Fees	0.00	0.00	0.00	0.00
Sales-Other	0.00	24,806.93	0.00	24,806.93
Other Collections, Fees, Licenses, and Income	0.00	158,133.00	0.00	158,133.00
Miscellaneous	0.00	0.00	293,298.43	293,298.43
Refunds	<u>0.00</u>	<u>(636.00)</u>	<u>0.00</u>	<u>(636.00)</u>
	6,012,536.00	1,184,517.93	293,298.43	7,490,352.36
Expenditures/Disbursements:				
Personal Services	2,069,750.00	423,397.87	161,042.81	2,654,190.68
Employee Benefits	702,322.28	193,541.12	47,123.69	942,987.09
Current Expenses	140,849.54	1,049,821.92	3,617.45	1,194,288.91
Repairs and Alterations	0.00	25,842.78	0.00	25,842.78
Assets	9,802.80	0.00	0.00	9,802.91
Other Disbursements	0.00	261.34	120,670.13	120,931.47
Transfer of Funds	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	<u>2,922,724.62</u>	<u>1,692,865.03</u>	<u>332,454.08</u>	<u>4,948,043.73</u>
Appropriations/Cash Receipts Over/(Under)				
Expenditures/Disbursements	3,089,811.38	(508,347.10)	(39,155.65)	2,542,308.63
Expirations and Expenditures After June 30	0.00	0.00	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>1,511,898.02</u>	<u>45,819.01</u>	<u>1,557,717.03</u>
Ending Balance	<u>\$3,089,811.38</u>	<u>\$1,003,550.92</u>	<u>\$ 6,663.36</u>	<u>\$4,100,025.66</u>

<u>General Revenue</u>	<u>Year Ended June 30, 2006</u>			<u>General Revenue</u>	<u>Year Ended June 30, 2005</u>		
	<u>Special Revenue</u>	<u>Federal Programs</u>	<u>Combined Totals</u>		<u>Special Revenue</u>	<u>Federal Programs</u>	<u>Combined Totals</u>
\$6,483,199.00	\$ 0.00	\$ 0.00	\$ 6,483,199.00	\$5,885,761.00	\$ 0.00	\$ 0.00	\$5,885,761.00
0.00	248,461.00	0.00	248,461.00	0.00	235,753.00	0.00	235,753.00
0.00	2,086,493.35	0.00	2,086,493.35	0.00	1,655,339.35	0.00	1,655,339.35
0.00	0.00	0.00	0.00	0.00	120.00	0.00	120.00
0.00	59,495.26	0.00	59,495.26	0.00	44,979.15	0.00	44,979.15
0.00	238,336.00	0.00	238,336.00	0.00	177,841.40	0.00	177,841.40
0.00	0.00	1,122,323.10	1,122,323.10	0.00	0.00	849,829.04	849,829.04
<u>0.00</u>	<u>(10,616.00)</u>	<u>0.00</u>	<u>(10,616.00)</u>	<u>0.00</u>	<u>(2,666.00)</u>	<u>0.00</u>	<u>(2,666.00)</u>
6,483,199.00	2,622,169.61	1,122,323.10	10,227,691.71	5,885,761.00	2,111,366.90	849,829.04	8,846,956.94
4,101,497.85	505,157.99	583,509.92	5,190,165.76	3,684,022.48	782,213.81	491,538.69	4,957,774.98
1,467,257.61	147,971.66	209,460.69	1,824,689.96	1,272,321.85	254,153.93	156,255.58	1,682,731.36
340,457.54	1,447,556.68	84,972.63	1,872,986.85	740,590.87	723,932.29	92,398.52	1,556,921.68
295.17	66,579.38	0.00	66,874.55	1,435.18	49,528.76	0.00	50,963.94
0.00	16,080.11	22,357.00	38,437.11	0.00	151,424.00	62,845.00	214,269.00
952.71	408.11	182,157.44	183,518.26	0.00	0.00	103,273.41	103,273.41
<u>40,452.00</u>	<u>4,270.00</u>	<u>0.00</u>	<u>44,722.00</u>	<u>35,206.00</u>	<u>7,075.00</u>	<u>0.00</u>	<u>42,281.00</u>
<u>5,950,912.88</u>	<u>2,188,023.93</u>	<u>1,082,457.68</u>	<u>9,221,394.49</u>	<u>5,733,576.38</u>	<u>1,968,327.79</u>	<u>906,311.20</u>	<u>8,608,215.37</u>
532,286.12	4,145.68	39,865.42	1,006,297.22	152,184.62	143,039.11	(56,482.16)	238,741.57
(532,286.12)	0.00	0.00	(532,286.12)	(152,184.62)	0.00	0.00	(152,184.62)
<u>0.00</u>	<u>1,077,752.34</u>	<u>5,953.59</u>	<u>1,083,705.93</u>	<u>0.00</u>	<u>934,713.23</u>	<u>62,435.75</u>	<u>997,148.98</u>
<u>\$ 0.00</u>	<u>\$1,511,898.02</u>	<u>\$ 45,819.01</u>	<u>\$1,557,717.03</u>	<u>\$ 0.00</u>	<u>\$1,077,752.34</u>	<u>\$ 5,953.59</u>	<u>\$1,083,705.93</u>

WEST VIRGINIA DEPARTMENT OF COMMERCE

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY, AND TRAINING

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 appropriation 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 building 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 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>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Personal Services	\$ 0.00	\$ 0.00	\$ 8,958.15	\$1,385.74
Employee Benefits	3,387.75	35,400.53	7,834.22	348.14
Unclassified	0.00	97,827.87	495,952.33	0.00
WV Diesel Commission	<u>15,750.42</u>	<u>17,222.34</u>	<u>403.25</u>	<u>0.00</u>
	<u>\$19,138.17</u>	<u>\$150,450.74</u>	<u>\$513,147.95</u>	<u>\$1,733.88</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 4.5% of their annual compensation and employees have vested rights under certain circumstances. The Department matches contributions at 10.5% of the compensation on which the employees made contributions. The Department's pension expenditures for the 2006, 2005 and 2004 fiscal years were as follows:

	<u>As of</u> <u>December 31,</u> <u>2006</u>	<u>Year Ended June 30,</u>	
		<u>2006</u>	<u>2005</u>
General Administration Fund (0277)	\$202,565.43	\$422,132.18	\$380,225.12
Test Fees Fund (3350)	9,420.05	16,002.32	18,375.95
General Administrative - Operating Permit Fee (3354)	0.00	189.53	27,090.42
Miners' Health, Safety and Training Fund (3355)	46,061.64	37,857.59	31,601.07
Consolidated Federal Funds General Administration Fund (8709)	<u>13,916.21</u>	<u>54,475.94</u>	<u>40,281.05</u>
	<u>\$271,963.33</u>	<u>\$530,657.56</u>	<u>\$497,573.61</u>

SUPPLEMENTAL INFORMATION

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Period Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u>	
		<u>2006</u>	<u>2005</u>
<u>General Administration Fund</u>			
<u>Personal Services - Account 0277-001</u>			
Appropriations	\$4,130,156.00	\$4,048,256.00	\$3,648,406.00
Transfer to Unclassified Account			
Account 0277-099	0.00	(72,000.00)	(46,000.00)
Supplemental Appropriation - HB 414	<u>0.00</u>	<u>54,600.00</u>	
	4,130,156.00	4,030,856.00	3,602,406.00
Expenditures:			
Personal Services	2,000,000.00	4,024,197.85	3,605,670.98
Employee Benefits	<u>0.00</u>	<u>0.00</u>	<u>(3,400.72)</u>
	<u>2,000,000.00</u>	<u>4,024,197.85</u>	<u>3,602,270.26</u>
Appropriations Over Expenditures	2,130,156.00	6,658.15	135.74
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$2,130,156.00</u>	<u>\$ 6,658.15</u>	<u>\$ 135.74</u>
 <u>General Administration Fund</u>			
<u>Annual Increment - Account 0277-004</u>			
Appropriations	\$ 72,400.00	\$ 70,600.00	\$ 70,750.00
Expenditures:			
Personal Services	<u>66,900.00</u>	<u>68,300.00</u>	<u>69,500.00</u>
Appropriations Over Expenditures	5,500.00	2,300.00	1,250.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 5,500.00</u>	<u>\$ 2,300.00</u>	<u>\$ 1,250.00</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Period Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u> <u>2006</u>	<u>2005</u>
<u>General Administration Fund</u>			
<u>Employee Benefits - Account 0277-010</u>			
Appropriations	\$1,545,333.00	\$1,551,243.00	\$1,391,000.00
Transfer to Unclassified Account 0227-099	0.00	(33,000.00)	(45,000.00)
	1,545,333.00	1,518,243.00	1,346,000.00
Expenditures:			
Employee Benefits	702,104.23	1,469,956.78	1,310,445.86
Transfer of Funds	0.00	40,452.00	35,206.00
	<u>702,104.23</u>	<u>1,510,408.78</u>	<u>1,345,651.86</u>
Appropriations Over Expenditures	843,228.77	7,834.22	348.14
Transmittals Paid After June 30	<u>0.00</u>	<u>3,387.75</u>	<u>35,400.53</u>
Balance	<u>\$ 843,228.77</u>	<u>\$ 11,221.97</u>	<u>\$ 35,748.67</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Period Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u> <u>2006</u>	<u>2005</u>
<u>General Administration Fund</u>			
<u>Unclassified - Account 0277-099</u>			
Appropriations	\$152,003.00	\$147,893.00	\$676,068.00
Transfer from Personal Services			
Account 0277-001 and Employee Benefits			
Account 0177-010	0.00	105,000.00	91,000.00
Supplemental Appropriation HB 124	0.00	500,000.00	0.00
Reappropriations Fiscal Year 2006	<u>495,952.33</u>	<u>0.00</u>	<u>0.00</u>
	647,955.33	752,893.00	767,068.00
Expenditures:			
Current Expenses	96,548.43	255,692.79	758,475.82
Repairs and Alterations	0.00	295.17	8,592.18
Assets	9,802.80	0.00	0.00
Other Disbursements	<u>0.00</u>	<u>52.71</u>	<u>0.00</u>
	<u>106,351.23</u>	<u>256,940.67</u>	<u>767,068.00</u>
Appropriations Over Expenditures	541,604.10	495,952.33	(0.00)
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>97,827.87</u>
Balance	<u>\$541,604.10</u>	<u>\$495,952.33</u>	<u>\$ 97,817.87</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Period Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u> <u>2006</u>	<u>2005</u>
<u>General Administration Fund</u>			
<u>WV Diesel Equipment Commission -</u>			
<u>Account 0277-712</u>			
Appropriations	\$38,034.00	\$38,034.00	\$38,034.00
Expenditures:			
Personal Services	2,850.00	9,000.00	8,851.50
Employee Benefits	218.05	688.58	677.24
Current Expenses	6,996.11	27,942.17	23,723.37
Assets	<u>0.00</u>	<u>0.00</u>	<u>4,781.89</u>
	<u>10,064.16</u>	<u>37,630.75</u>	<u>38,034.00</u>
Appropriations Over Expenditures	27,969.84	403.25	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>15,750.42</u>	<u>17,222.34</u>
Balance	<u>\$27,969.84</u>	<u>\$16,153.67</u>	<u>\$17,222.34</u>
<u>General Administration Fund</u>			
<u>BRIM Premium - Account 0277-0913</u>			
Appropriations	\$74,610.00	\$72,573.00	\$61,503.00
Expenditures:			
Current Expenses	<u>37,305.00</u>	<u>72,573.00</u>	<u>61,503.00</u>
	<u>37,305.00</u>	<u>72,573.00</u>	<u>61,503.00</u>
Appropriations Over Expenditures	37,305.00	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$37,305.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>For the Period</u> <u>Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u> <u>2006</u>	<u>2005</u>
<u>Test Fees Fund Unclassified -</u>			
<u>Account 3350-099</u>			
Cash Receipts:			
Sales-Other	\$ 24,806.93	\$ 59,495.26	\$ 44,979.15
Other Collections, Fees, Licenses, and Income	91,576.00	222,219.00	177,841.40
Refunds	<u>0.00</u>	<u>0.00</u>	<u>(70.00)</u>
Total Cash Receipts	116,382.93	281,714.26	222,750.55
Disbursements:			
Personal Services	82,368.27	164,443.55	180,843.76
Employee Benefits	35,578.71	51,601.93	52,185.03
Current Expenses	26170.91	116,308.64	17,224.52
Repairs and Alterations	0.00	0.00	63.00
Other Disbursements	98.17	79.88	0.00
Transfer of Funds	<u>0.00</u>	<u>865.00</u>	<u>1,695.00</u>
	<u>144,216.06</u>	<u>333,299.00</u>	<u>252,011.31</u>
Cash Receipts (Under) Disbursements	(27,833.13)	(51,584.74)	(29,260.76)
Beginning Balance	<u>62,584.69</u>	<u>114,169.43</u>	<u>143,430.19</u>
Ending Balance	<u>\$ 34,752.56</u>	<u>\$ 62,584.69</u>	<u>\$114,169.43</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>For the Period Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u> <u>2006</u> <u>2005</u>	
<u>Payroll Clearing Fund Unclassified -</u> <u>Account 3352-099</u>			
Cash Receipts	\$ 0.00	\$ 0.00	\$ 0.00
Disbursements:			
Personal Services	<u>7,345.77</u>	<u>0.00</u>	<u>0.00</u>
Cash Receipts (Under) Disbursements	(7,345.77)	0.00	0.00
Beginning Balance	<u>7,345.77</u>	<u>7,345.77</u>	<u>7,345.77</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$7,345.77</u>	<u>\$7,345.77</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>For the Year Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u> <u>2006</u>	<u>2005</u>
<u>General Administration - Operating Permit</u>			
<u>Fee - Account 3354</u>			
Cash Receipts:			
Operating Permit Fees	\$34,144.00	\$248,461.00	\$235,753.00
Refunds	<u>0.00</u>	<u>(1,300.00)</u>	<u>(1,700.00)</u>
Total Cash Receipts	34,144.00	247,161.00	234,053.00
Disbursements:			
Personal Services	0.00	1,805.00	261,473.22
Employee Benefits	0.00	3,462.67	90,405.87
Current Expenses	(214.31)	285,244.36	8,291.60
Repairs and Alterations	1,082.75	3,800.33	0.00
Other Disbursements	31.50	115.80	0.00
Transfer of Funds	<u>0.00</u>	<u>0.00</u>	<u>2,634.00</u>
	<u>899.94</u>	<u>294,428.16</u>	<u>362,804.69</u>
Cash Receipts Over/(Under) Disbursements	33,244.06	(47,267.16)	(128,751.69)
Beginning Balance	<u>19,743.28</u>	<u>67,010.44</u>	<u>195,762.13</u>
Ending Balance	<u>\$52,987.34</u>	<u>\$ 19,743.28</u>	<u>\$ 67,010.44</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

SPECIAL REVENUE

	<u>For the Period</u> <u>Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u>	
		<u>2006</u>	<u>2005</u>
<u>Miners Health Safety & Training Fund</u>			
<u>Personal Services Account 3355-001</u>			
Appropriations	\$402,000.00	\$398,850.00	\$400,300.00
Supplemental Appropriation - H.B. 414	0.00	3,150.00	0.00
Supplemental Appropriation - H.B. 4856	0.00	105,000.00	0.00
Supplemental Appropriation - H.B. 111	390,000.00	0.00	0.00
Transfer to Unclassified Account 3355-099	<u>0.00</u>	<u>(115,000.00)</u>	<u>0.00</u>
	792,000.00	392,000.00	400,300.00
Expenditures:			
Personal Services	333383.83	371,863.94	306,942.33
Employee Benefits	<u>0.00</u>	<u>1,443.58</u>	<u>0.00</u>
	<u>333,383.83</u>	<u>373,307.52</u>	<u>306,942.33</u>
Appropriations Over Expenditures	458,616.17	18,692.48	93,357.67
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>(32,954.50)</u>
Balance	<u>\$458,616.17</u>	<u>\$ 18,692.48</u>	<u>\$ 60,403.17</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

SPECIAL REVENUE

	<u>For the Period Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u> <u>2006</u>	<u>2005</u>
<u>Miners Health Safety & Training Fund</u>			
<u>Annual Increment - Account 3355-004</u>			
Appropriations	\$ 550.00	\$ 1,450.00	\$ 0.00
Expenditures:			
Personal Services	<u>300.00</u>	<u>0.00</u>	<u>0.00</u>
Appropriations Over Expenditures	250.00	1,450.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 250.00</u>	<u>\$ 1,450.00</u>	<u>\$ 0.00</u>
<u>Miners Health Safety & Training Fund</u>			
<u>Employee Benefits Account 3355-010</u>			
Appropriations:	\$115,892.00	\$138,000.00	\$138,000.00
Supplemental Transfer - H.B. 414	0.00	572.00	0.00
Supplemental Transfer - H.B. 4856	0.00	39,907.00	0.00
Transfer from Unclassified Account 3355-099	110,000.00	0.00	0.00
Transfer to Unclassified Account Account 3355-099	<u>0.00</u>	<u>(65,000.00)</u>	<u>0.00</u>
	225,892.00	113,479.00	138,000.00
Expenditures:			
Employee Benefits	104,123.91	99,371.56	100,232.62
Transfer of Funds	<u>0.00</u>	<u>3,405.00</u>	<u>2,746.00</u>
	<u>104,123.91</u>	<u>102,776.56</u>	<u>102,978.62</u>
Appropriations Over Expenditures	121,768.09	10,702.44	35,021.38
Transmittals Paid After June 30	<u>0.00</u>	<u>150.00</u>	<u>(7,758.08)</u>
Balance	<u>\$121,768.09</u>	<u>\$ 10,852.44</u>	<u>\$ 27,263.30</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

SPECIAL REVENUE

	<u>For the Period</u> <u>Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u> <u>2006</u>	<u>2005</u>
<u>Miners Health Safety & Training Fund</u>			
<u>WV Mining Extension Service -</u>			
<u>Account 3355-026</u>			
Appropriations	\$150,000.00	\$150,000.00	\$150,000.00
Expenditures:			
Current Expenses	<u>0.00</u>	<u>147,614.23</u>	<u>114,468.98</u>
	<u>0.00</u>	<u>147,614.23</u>	<u>114,468.98</u>
Appropriations Over Expenditures	150,000.00	2,385.77	35,531.02
Transmittals Paid After June 30	<u>0.00</u>	<u>17,400.00</u>	<u>0.00</u>
Balance	<u>\$150,000.00</u>	<u>\$ 19,785.77</u>	<u>\$ 35,531.02</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

SPECIAL REVENUE

	<u>For the Period</u> <u>Ended</u> <u>December 31,</u>	<u>Year Ended June 30,</u>	
		<u>2006</u>	<u>2005</u>
<u>Miners Health Safety & Training Fund</u>			
<u>Unclassified - Account 3355-099</u>			
Appropriations	\$1,928,130.00	\$ 775,250.00	\$851,700.00
Supplemental Appropriation - H.B. 4856	0.00	65,280.00	0.00
Supplemental Appropriation - H.B. 111	(500,000.00)	0.00	0.00
Transfer from Unclassified Account 3355-099 and Employee Benefits Account 3355-010	<u>0.00</u>	<u>180,000.00</u>	<u>0.00</u>
	1,428,130.00	1,020,530.00	851,700.00
Expenditures:			
Employee Benefits	53,688.50	0.00	0.00
Current Expenses	886,476.37	960,190.23	615,490.15
Repairs and Alterations	18,395.47	60,104.93	51,155.57
Assets	0.00	0.00	167,504.11
Other Disbursements	<u>109.26</u>	<u>234.84</u>	<u>0.00</u>
	<u>958,669.60</u>	<u>1,020,530.00</u>	<u>34,149.83</u>
Appropriations Over Expenditures	469,460.40	0.00	17,550.17
Transmittals Paid After June 30	<u>0.00</u>	<u>126,375.92</u>	<u>00,706.96</u>
Balance	<u>\$ 469,460.40</u>	<u>\$ 126,375.92</u>	<u>\$118,257.13</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS CASH CONTROL

SPECIAL REVENUE

	<u>For the Period Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u> <u>2006</u>	<u>2005</u>
<u>Miners Health Safety & Training Fund -</u>			
<u>Account 3355</u>			
Beginning Balance:			
State Treasury	\$1,422,224.28	\$ 889,226.70	\$ 588,175.14
Cash Receipts:			
Violations of Mining Health & Safety Rules	968,070.00	2,086,493.35	1,655,339.35
Tuition and Fees	0.00	0.00	120.00
Other Collections, Fees, Licenses & Income	66,557.00	16,117.00	0.00
Refunds	(636.00)	(9,316.00)	(896.00)
	<u>1,033,991.00</u>	<u>2,093,294.35</u>	<u>1,654,563.35</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$2,456,215.28</u>	<u>\$2,982,521.05</u>	<u>\$2,242,738.49</u>
Disbursements:			
Personal Services	\$ 333,683.83	\$ 371,863.94	\$ 306,942.33
Employee Benefits	157,812.41	100,815.14	100,232.62
Current Expenses	886,476.37	1,107,804.46	729,959.13
Repairs and Alterations	18,395.47	60,104.93	51,155.57
Assets	0.00	0.00	167,504.11
Other Disbursements	109.26	234.84	0.00
Transfer of Funds	0.00	3,405.00	2,746.00
	<u>1,396,477.34</u>	<u>1,644,228.31</u>	<u>1,358,539.76</u>
Add Transmittals Paid July 1 - 31 Beginning; and			
(Less) Transmittals Paid July 1-31 Ending:			
Personal Services	0.00	(32,954.50)	0.00
(Personal Services)	0.00	0.00	32,954.50
Employee Benefits	150.00	(7,758.08)	3,572.33
(Employee Benefits)	0.00	(150.00)	7,758.08
Current Expenses	137,388.95	75,588.17	44,045.21
(Current Expenses)	0.00	(137,388.95)	(75,588.17)
Repairs and Alterations	6,364.56	9,038.68	9,038.68
(Repairs and Alterations)	0.00	(6,364.56)	(9,038.68)
Assets	0.00	16,080.11	0.00
(Assets)	0.00	0.00	(16,080.11)
Other Disbursements	22.41	0.00	0.00
(Other Disbursements)	0.00	(22.41)	0.00
	<u>143,925.92</u>	<u>(83,931.54)</u>	<u>(5,027.97)</u>
	1,540,403.26	1,560,296.77	1,353,511.79
Ending Balance:			
State Treasury	<u>915,812.02</u>	<u>1,422,224.28</u>	<u>889,226.70</u>
TOTAL CASH ACCOUNTED FOR	<u>\$2,456,215.28</u>	<u>\$2,982,521.05</u>	<u>\$2,242,738.49</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

FEDERAL FUNDS

	<u>For the Period</u> <u>Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u> <u>2006</u>	<u>2005</u>
<u>Cons Federal Funds General Administration</u>			
<u>Fund - Unclassified Account 8709-096</u>			
Appropriations	\$1,345,652.00	\$1,330,765.00	\$ 90,765.00
Supplemental Appropriation - H.B. 414	0.00	14,887.00	0.00
Supplemental Appropriation - H.B. 209	<u>0.00</u>	<u>0.00</u>	<u>1,000,000.00</u>
	1,345,652.00	1,345,652.00	1,590,765.00
Expenditures:			
Personal Services	161,042.81	583,509.92	491,538.69
Employee Benefits	46,492.69	209,854.19	152,202.07
Current Expenses	2,304.09	80,574.37	86,436.08
Assets	0.00	22,357.00	62,845.00
Other Disbursements	<u>82,800.85</u>	<u>220,026.72</u>	<u>95,196.79</u>
	<u>292,640.44</u>	<u>1,116,322.20</u>	<u>888,218.63</u>
Appropriations Over Expenditures	1,053,011.56	229,329.80	702,546.37
Transmittals Paid After June 30	<u>0.00</u>	<u>39,813.64</u>	<u>5,949.12</u>
Balance	<u>\$1,053,011.56</u>	<u>\$ 269,143.44</u>	<u>\$ 708,495.49</u>

WEST VIRGINIA OFFICE OF MINERS' HEALTH, SAFETY AND TRAINING

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS CASH CONTROL

FEDERAL FUNDS

	<u>For the Period</u> <u>Ended</u> <u>December 31, 2006</u>	<u>Year Ended June 30,</u> <u>2006</u>	<u>2005</u>
<u>Cons Federal Funds General</u>			
<u>Administration Fund Account 8709</u>			
Beginning Balance:			
State Treasury	\$ 45,819.01	\$ 5,953.59	\$ 62,435.75
Cash Receipts:			
Miscellaneous	<u>293,298.43</u>	<u>1,122,323.10</u>	<u>849,829.04</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$339,117.44</u>	<u>\$1,128,276.69</u>	<u>\$912,264.79</u>
Disbursements:			
Personal Services	\$161,042.81	\$ 583,509.92	\$491,538.69
Employee Benefits	46,492.69	209,854.19	152,202.07
Current Expenses	2,304.09	80,574.37	86,436.08
Assets	0.00	22,357.00	62,845.00
Other Disbursements	<u>82,800.85</u>	<u>220,026.72</u>	<u>95,196.79</u>
	292,640.44	1,116,322.20	888,218.63
Add Transmittals Paid July 1 - 31			
Beginning; and (Less) Transmittals			
Paid July 1 - 31 Ending:			
Employee Benefits	631.00	237.50	4,291.01
(Employee Benefits)	0.00	(631.00)	(237.50)
Current Expenses	1,313.36	5,711.62	11,674.06
(Current Expenses)	0.00	(1,313.36)	(5,711.62)
Other Disbursements	37,869.28	0.00	8,076.62
(Other Disbursements)	<u>0.00</u>	<u>(37,869.28)</u>	<u>0.00</u>
	<u>39,813.64</u>	<u>(33,864.52)</u>	<u>18,092.57</u>
	332,454.08	1,082,457.68	906,311.20
Ending Balance:			
State Treasury	<u>6,663.36</u>	<u>45,819.01</u>	<u>5,953.59</u>
TOTAL CASH ACCOUNTED FOR	<u>\$339,117.44</u>	<u>\$1,128,276.69</u>	<u>\$912,264.79</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, Acting 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 8th day of October 2007.

A handwritten signature in black ink that reads "Stacy L. Sneed". The signature is written in a cursive style with a large initial 'S'.

Stacy L. Sneed, CPA, Acting 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 Department of Commerce; the Office of Miners' Health, Safety and Training; Governor; Attorney General; State Auditor; and, Director of Finance Division, Department of Administration.