

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Theford L. Shanklin, CPA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.



Area Code (304)
Phone: 347-4880
Fax: 3474889

Memorandum

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From: Michael E. Sizemore, CPA, Audit Manager
Stanley D. Lynch, CPA, Legislative Auditor III

To: Theford L. Shanklin, CPA, Director

Subject: REVIEW OF INTERNAL CONTROLS FOR COMMISSION ON
DRUNK DRIVING GRANTS FOR THE PERIOD 07/01/2003 -
12/31/2006

In accordance with the request by Aaron Allred, Legislative Auditor, we have conducted a review of the processes, procedures and related internal controls over the Drunk Driving Prevention Grant Awards Program as administered by the Commission on Drunk Driving through the West Virginia State Police. The Commission on Drunk Driving (the Commission) was created by Chapter 15, Article 2, Section 40 of the West Virginia Code. Section 41 of this same Article bestowed the Commission with the authority to administer the Drunk Driving Prevention Fund. The Superintendent of the West Virginia State Police acts as the Chairman of the Commission. The Superintendent has appointed an Executive Director from his staff to oversee the activities of the Commission.

Background

Revenues for the Drunk Driving Prevention Fund are provided from sales taxes collected from private liquor clubs and other businesses that purchase wine and liquor from West Virginia vendors. The vendors remit these tax collections to the West Virginia State Tax Department (Tax Department) and the Tax Department, in turn, deposits the collections in the Drunk Driving Prevention Fund. Deposits totaled approximately \$1.0 Million for Fiscal Year 2006 and \$1.1 Million for Fiscal Year 2005.

Approximately one-third of the tax collections deposited into the Drunk Driving Prevention Fund are granted by the Commission to the State Police and to local West Virginia city police agencies and county sheriff departments for overtime costs associated with the operations of their respective Driving Under the Influence (DUI) prevention programs. There are three 90-day program grant periods each fiscal year. The State Police program grant has been for a total of \$70,000 for the last several grant periods. Depending on the population of the area served, the maximum amount

awarded per grant period to each local law enforcement agency is either \$5,000, \$10,000 or \$15,000. The total amounts of these local law enforcement program grants were \$383,553.93 and \$287,557.65, respectively, for Fiscal Years 2006 and 2005.

Grant funds are not disbursed in advance of a sanctioned grant activity (CDDP activity). Rather, the grantee (county sheriff, city, or the state police) must first expend the funds to cover the cost of the CDDP activity and then apply for reimbursement after the conclusion of the grant period.

Conclusions

Chapter 15, Article 2, Section 41 of the West Virginia Code states in part:

“The Commission shall have the following powers and duties:
...(c) ...administer the drunk driving prevention fund...(e) Monitor, review and evaluate the expenditure, use and effectiveness of the fund...”

Based on our review of program documents and our procedural interviews conducted with the Commission’s Executive Director and his assistant, we have determined deficiencies exist in the Commission’s oversight with respect to the use of the grant funds disbursed to local law enforcement agencies. We believe these internal control weaknesses provide opportunities for employees of grant recipients to incorrectly and/or fraudulently report program work hours and receive pay for overtime hours not worked on legitimate CDDP activities. The internal control deficiencies noted by us are as follows:

1. After the conclusion of each DUI prevention activity, the local law enforcement agency is required to submit a ***CDDP/Highway Safety Enforcement Activity Report*** to the Commission. These report forms provide details on the CDDP activity conducted and the hours worked. The forms are required to be signed by the law enforcement officer responsible for conducting the CDDP activity; however, no supervisory approval signatures are required on the report. As a result, the Commission is provided with little assurance that the hours of work reported for the CDDP activity have been reviewed and approved by anyone other than the individual officer who reportedly conducted the activity.
2. At the end of the 90-day grant period, each local law enforcement agency must submit an ***Expenditure Report and Reimbursement Request*** to receive reimbursement for CDDP overtime costs incurred. The agency records the CDDP expenditures on the request form along with the total hours worked on CDDP activities during the grant period and an average overtime hourly rate earned by the law enforcement agency’s officers. The Commission’s Executive Director stated there is currently no reconciliation process performed between the ***CDDP/Highway Safety Enforcement Activity Reports*** submitted throughout the grant period and the ***Expenditure Report and Reimbursement Request*** which are submitted at the conclusion of the grant period. As a result, the Commission has no procedure to verify reimbursement amounts requested by local law enforcement agencies are accurately and fully supported by CDDP activity source documents.

3. According to the Commission's Executive Director, the Commission has never performed on-site audits of grantee records nor has it ever requested the grantee provide the Commission additional documentation (e.g., time sheets) other than those items described above. We did note, however, that some grant recipients have voluntarily provided the Commission with agency approved time sheets as attachments to their ***Expenditure Report and Reimbursement Requests***. Nevertheless, no reconciliations have been performed between reimbursement amounts requested by local law enforcement agencies and agency time sheets or other supporting documents that could provide audit evidence as to whether or not the amount of the reimbursement request was entirely for legitimate CDDP activities.

Recommendations and Spending Unit Responses

We recommend the Commission comply with Chapter 15, Article 2, Section 41 of the West Virginia Code and implement the following procedures in order to strengthen internal controls over the use of CDDP program grant funds:

1. The Commission should consider requiring grant recipients to include supervisory approval signatures on ***CDDP/Highway Safety Enforcement Activity Reports***. This would provide additional assurance that hours of work reported for CDDP activities were reviewed and approved by the grant recipient's management.

Spending Unit Response

Regarding Recommendation Nos. 1 and 2, we concur with these as relate to supervisory approval signatures on activity reports and reconciliation of activity reports to the reimbursement requests and will prepare formal procedures to be presented for adoption at the June 14 commission meeting.

2. The Commission should consider implementing a procedure that requires a reconciliation of the ***CDDP/Highway Safety Enforcement Activity Reports*** submitted throughout the grant period with the ***Expenditure Report and Reimbursement Request*** submitted by the law enforcement agency at the conclusion of the grant period. Such a procedure would provide evidence that reimbursement requests were for legitimate CDDP activities.

Spending Unit Response

Regarding Recommendation Nos. 1 and 2, we concur with these as relate to supervisory approval signatures on activity reports and reconciliation of activity reports to the reimbursement requests and will prepare formal procedures to be presented for adoption at the June 14 commission meeting.

3. The Commission should consider implementing a procedure under which a random sample of grant recipients would be audited after the conclusion of each grant period. The audit

should include steps to recalculate CDDP amounts due based on the Commission's examination of a grant recipient's time sheets, leave or attendance records and documented employee hourly rates.

Spending Unit Response

Concerning the recommendation for implementing a random sample audit procedure, this too will be presented for adoption at the next commission meeting. We anticipate the sample audits will be performed by the agency's accountant/auditor and will include approximately 15 audits per year, or 25% of the total grants awarded.