

STATE OF WEST VIRGINIA

SPECIAL REPORT

OF

**WEST VIRGINIA DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
WEST VIRGINIA STATE AGENCY FOR
SURPLUS PROPERTY**

FOR THE PERIOD

JULY 1, 2003 – DECEMBER 31, 2006



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

SPECIAL REPORT

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

PURCHASING DIVISION

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

FOR THE PERIOD

JULY 1, 2003 – DECEMBER 31, 2006

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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To the Joint Committee on Government and Finance:

The objectives of this special report were to review the West Virginia Department of Administration, Purchasing Division, West Virginia State Agency For Surplus Property's cash receipt and disbursement transactions for compliance with the provisions of the West Virginia Code, Chapter 5A, Article 3, Sections 43 through 46, as amended, plus other applicable chapters, articles and sections of the West Virginia Code as they pertain to fiscal matters.

To achieve the above objectives, we performed the following:

- a. Obtained an understanding of the compliance requirements relating to the financial transactions of the West Virginia State Agency for Surplus Property (WVSASP) as promulgated by the West Virginia Code and other rules and regulations.
- b. Obtained an understanding of the WVSASP's internal control to determine the structure would provide reasonable assurance that financial transactions were made in compliance with the laws, rules and regulations that govern them.
- c. Reviewed cash receipt and disbursement transactions, on a test basis, to determine cash receipt and disbursement transactions were properly accounted for, supported, and made in accordance with the laws, rules and regulations that govern them.

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

Respectfully submitted,

A handwritten signature in dark ink that reads "Stacy L. Sneed".

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

August 31, 2007

Auditors: Jean Ann Krebs, CPA, Audit Manager
Michael Sizemore, CPA, Audit Manager
William Spencer, CPA, Auditor-in-Charge
K. Michelle Hodge
Londa Sabatino
John Signore

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

PURCHASING DIVISION

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

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WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

PURCHASING DIVISION

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

EXIT CONFERENCE

We held an exit conference on May 12, 2008 with the Purchasing Division Director, the Surplus Property Manager, and other representatives of the Department of Administration, Purchasing Division. All findings and recommendations were reviewed and discussed. The agency'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 ADMINISTRATION

PURCHASING DIVISION

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

INTRODUCTION

The Purchasing Division, consisting of an Acquisition and Contract Administration Section and an Administrative Services Section, is responsible for providing purchasing, travel, inventory, records management and parking services to all State agencies to assure ethical and cost-conscious expenditure of public funds, while providing quality, efficient, and effective service.

The Acquisition and Contract Administration Section is responsible for administering the formal competitive bid process for acquisition of all goods and services over \$25,000 for State agencies and monitor purchasing procedures for purchases less than \$25,000 through quality assistance program. In addition, the Acquisition and Contract Administration Section is responsible for educating agencies on state purchasing rules and regulations; assisting all agencies with best value purchasing procedures; and enhancing communication on purchasing laws, regulations, and procedures with state agencies, vendors, and political subdivisions.

The Administrative Services Section is responsible for various programs and services including: the automated purchasing system, fleet management, State Capitol parking, inventory management, records management, Surplus Property Program, travel management, vendor registration, and purchase order encumbrance.

West Virginia State Agency For Surplus Property

West Virginia State Agency For Surplus Property (WVSASP) coordinates two separate programs: Federal Surplus Property and State Surplus Property. The Federal Surplus Property Program locates federal property and acquires it for donation to state agencies, political subdivisions, other public agencies, and certain nonprofit organizations deemed eligible by the Code of Federal Regulations 101-44.1 and Chapter 5A, Article 3, Section 44 of the West Virginia Code. They warehouse property not allocated to eligible organizations and inspect the use of property for compliance with federal regulations.

The State Surplus Property Program receives property from state agencies which has become obsolete or unneeded and oversees the sale of retired state property to state agencies, eligible organizations and the general public. Sales are made to the general public through auctions and sealed bids. They warehouse property not sold and approve the disposal of retired state-owned property.

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

PURCHASING DIVISION

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

ADMINISTRATIVE OFFICERS AND STAFF

AS OF DECEMBER 31, 2006

Administration

Robert W. Ferguson Jr.....Cabinet Secretary of the Department of Administration
David R. Tinchler.....Purchasing Division Director
Debbie Watkins.....Administrative Secretary
Kenneth FryeSurplus Property Manager
Eugene Young.....Federal Surplus Property Acting Supervisor
Anthony Cooper.....State Surplus Property Supervisor

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

PURCHASING DIVISION

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

EXECUTIVE SUMMARY

Lack of Surplus Property Inventory

1. As reported in a prior audit conducted by us for the period July 1, 2001 through June 30, 2003, the WVSASP has not maintained an inventory of all surplus property acquired by State agencies that had an acquisition value of \$1,000 or more in compliance with Title 148, Series 4, Section 4 of the Legislative Rules.

Auditor's Recommendation

We recommend the WVSASP maintain an inventory in compliance with Title 148, Series 4, Section 4 of the Legislative Rule.

Agency's Response

The Purchasing Division agrees with this finding. (See Pages 9 - 11.)

**No Inventory of Vehicles Purchased from the
U.S. General Services Administration (GSA)**

2. The WVSASP purchased 33 used vehicles from the GSA on behalf of and subsequent sale to state agencies and other eligible organizations but did not place the vehicles on the WVFIMS Fixed Asset Inventory.

Auditor's Recommendation

We recommend the WVSASP maintain an inventory of all vehicles in accordance with the WV Department of Administration, Purchasing Division, Program Services Section, Surplus Property Unit, Section 3.6.

Agency's Response

The Purchasing Division agrees with this finding. (See pages 11 and 12.)

Accounts Payable

3. The WVSASP owes the Fleet Management Office \$1,278,863.45 as of December 31, 2006 for vehicles sold by the WVSASP since May 1999. Our review of the accounts payable records maintained by the Finance Division indicates total payments made to Fleet for the above period totaled \$92,419 with the last payment made on November 16, 2004.

Auditor's Recommendation

We recommend the WVSASP comply with Chapter 5A, Article 3, Section 45 of the West Virginia Code and reimburse Fleet Management the proceeds of vehicles sales less the WVSASP handling fees.

Agency's Response

The Purchasing Division agrees with this finding. (See pages 13 and 14.)

Uncollectible Accounts Receivable

4. The WVSASP has not consigned \$57,733.91 of uncollectible amounts due to a debt collection agency as provided for by statute. Since our last audit, the WVSASP has

discontinued allowing State agencies and other eligible organizations to purchase surplus property on credit.

Auditor's Recommendation

We recommend the WVSASP comply with Chapter 14, Article 1, Section 18a of the West Virginia Code.

Agency's Response

The Purchasing Division agrees with this finding. (See pages 14 – 16.)

Lack of Supporting Documentation for Personal Services

5. For the six employees selected for testing, the WVSASP could not provide time sheets to support an estimated 38% of their compensation paid during our review period. We further noted the WVSASP does not reconcile the amount paid on the payroll to time worked on the semi-monthly times sheets or leave taken per the time sheets to the leave accrual records.

Auditor's Recommendation

We recommend the WVSASP comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, §516.2 of Title 29 of the Code of Federal Regulations and Legislative Rule, Title 42, Series 8. We also recommend the WVSASP strengthen internal controls over personal services by maintaining time sheets and performing reconciliations pertaining to time worked, amounts paid, and leave accruals.

Agency's Response

The Purchasing Division agrees with this finding. (See pages 16 – 19.)

Invoices Not Date Stamped

6. We found in our review of transactions 90 invoices that were not stamped with the date received by the WVSASP. Without date stamps, we are unable to determine if transactions were processed and paid timely in accordance with statute.

Auditor's Recommendation

We recommend the WVSASP comply with Legislative Rule, Title 155, Section 1, Section 3.9 and date-stamp invoices upon receipt.

Agency's Response

The Purchasing Division agrees with this finding. (See pages 19 and 20.)

Informational – Special Revenue Accounts Not Explicitly Authorized by Statute

7. We were unable to locate authorization for the special revenue accounts used by the WVSASP and requested legal assistance from Legislative Services who concluded the “. . . operation of the accounts is lawful, yet would recommend that, as the better management practice, the Legislature *explicitly authorize the special revenue accounts* in order to avoid difficulties in being properly recognized by the State Auditor.”

Auditor's Recommendation

We recommend the WVSASP request the Legislature to amend Chapter 5A, Article 3 to include explicit authorization to operate special revenue accounts.

Agency's Response

The Purchasing Division agrees with this finding. (See page 21.)

WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

PURCHASING DIVISION

WEST VIRGINIA STATE AGENCY FOR SURPLUS PROPERTY

GENERAL REMARKS

INTRODUCTION

We have performed a review of the financial transactions of the Department of Administration, Purchasing Division West Virginia State Agency for Surplus Property (WVSASP) for the period July 1, 2003 through December 30, 2006.

SPECIAL REVENUE ACCOUNTS

The WVSASP operated the following special revenue accounts during our test period:

<u>Account Number</u>	<u>Description</u>
2280 – 099	Sale of Federal Surplus Property Fund
2281 – 099	Sale of State Surplus Property Fund

COMPLIANCE MATTERS

Chapter 5A, Article 3, Sections 43 through 46 of the West Virginia Code generally governs the WVSASP. We tested applicable sections of the above plus other applicable chapters, articles, and sections of the West Virginia Code as they pertain to fiscal matters. The results of our review follow.

Lack of Surplus Property Inventory

Excluding vehicles, the WVSASP does not maintain any type of inventory for surplus property received from State agencies that had an acquisition value of \$1,000 or more. On April 11, 2007, the Director of Purchasing sent us correspondence indicating he had

approved a request for IS&C Development Center to create an automated inventory system for WVSASP from the WV Fixed Asset System as recommended by us in a prior audit. However, as of May 2, 2008, no automated computerized inventory system has been implemented. Based on their understanding, the Director of Purchasing and the WVSASP Manager believe the inventory system has not been put into operation because IS&C has been short staffed and other IS&C projects have taken priority. The Director of Purchasing also stated that delays by the IS&C Development Center are outside of their control.

Legislative Rules, Title 148, Series 4, Section 4 of the State Plan for the Operation of the West Virginia State Agency for Surplus Property states in part:

“§148-4-4. Inventory Control

4.1. The State Agency will maintain accurate inventory records of all surplus personal property received, warehoused, distributed or otherwise disposed. . . in addition, separate files are maintained for all passenger motor vehicles or items with an acquisition cost of three thousand dollars (\$3,000) or greater. . .”

We recommend the WVSASP maintain an inventory of all surplus property acquired from State agencies that had an acquisition value of \$1,000 or more in compliance with Legislative Rules, Title 148, Series 4, Section 4.

Agency's Response

WVSASP contracted with the Office of Technology in April 2007 to design an inventory system. The estimated completion date for the system was September, 2007; the inventory system is not yet complete. WVSASP is currently working with the Chief Technology Officer to complete and implement the inventory system. See attached letter dated

May 7, 2008 relative to this issue. [Located on page 23 in the Supplemental Information Section of this report.]

The Purchasing Division agrees with this finding.

WVSASP will continue to work with the Office of Technology to assure timely completion of the automated system; however, in the event the Office of Technology cannot complete the system timely, the Purchasing Division will request to add staff and purchase an off-the-shelf inventory system in order to comply with Legislative Rule, Title 148, Series 4, Article 4.

**No Inventory of Vehicles Purchased From the U.S.
General Services Administration (GSA)**

During the period of October 7, 2003 through August 24, 2005, we noted the WVSASP paid from State funds \$203,685.00 for 33 used vehicles purchased from GSA on behalf of and the subsequent sale to, state agencies and other eligible organizations. Although the WVSASP only owned the vehicles for a short time period (seven to 118 days) before the vehicles were sold and titled to other organizations, the WVSASP did not place the vehicles on inventory. We located no further purchases by WVSASP from GSA during our review period and our testing revealed that WVSASP received \$202,065 for 28 of the 33 vehicles. We found the remaining five vehicles were titled to the Department of Administration's Fleet Management Office and the sale of these vehicles, \$40,100, was accounted for by reducing Surplus Property's accounts payable balance. We believe the WVSASP should maintain an inventory of any GSA vehicles purchased in the future to safeguard assets from unauthorized use or disposition.

West Virginia Department of Administration, Purchasing Division, Program Services Section, Surplus Property Unit, Section 3.6, states in part:

“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 a 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 WVFIMS Fixed Asset system. . . .”

The WVSASP had no inventory of the 33 vehicles purchased from the GSA that had acquisition values ranging from \$3,650 to \$12,325; therefore, WVSAS did not have a system in place to prevent unauthorized use or disposition of these vehicles. The WVSASP Manager stated the vehicles were not inventoried because they were purchased on behalf of other State agencies and eligible organizations and only retained by WVSASP for a short period of time.

We recommend the WVSASP comply with the West Virginia Department of Administration, Purchasing Division, Program Services Section, Surplus Property Unit, Section 3.6 and maintain an inventory of property with an acquisition value of \$1,000 or more.

Agency's Response

The vehicles were not entered into the inventory system because they were considered merchandise for resale. In most cases, customers were identified prior to the vehicles being purchased from the U.S. General Services Administration. Any vehicles purchased through this program in the future will be entered into the WVSASP fixed asset inventory.

The Purchasing Division agrees with this finding

Accounts Payable

Our testing revealed the WVSASP does not reimburse Fleet Management a portion of the sales price of the Fleet vehicles surplus and sold by the WVSASP. We reviewed amounts due from WVSASP to Fleet Management Office as recorded on the accounts payable ledger. Our review indicates from May 1999 to the end of our review period, December 31, 2006, the WVSASP had paid only \$92,419 of \$1,371,282.45 due and the last payment made, totaling \$32,789, was recorded on November 16, 2004. The ending December 31, 2006 accounts payable balance was \$1,278,863.45.

Chapter 5A, Article 3, Section 45 of the West Virginia Code states in part,

“ . . . The agency may sell expendable, obsolete or unused motor vehicles owned by the state to an eligible organization, other than volunteer fire departments. . . .

The proceeds of such sales or transfers shall be deposited in the state treasury to the credit on a pro rata basis of the fund or funds out of which the purchase of the particular commodities or expendable commodities was made: Provided, That the agency may charge and assess fees reasonably related to the costs of care and handling with respect to the transfer, warehousing, sale and distribution of state property disposed of or sold pursuant to the provisions of this section.”

Purchasing Division Finance Director stated Fleet Management is not reimbursed by the WVSASP because of limited funds. We noted the ending cash balances in the WVSASP's Sale of State Surplus Property Fund 2281 were \$475,616.87 as of December 31, 2006 and \$328,478.75, \$190,311.59, and \$655,439.94 for the fiscal years ended June 30, 2006, 2005 and 2004, respectively. We believe WVSASP should reimburse Fleet management for

vehicles sold and seek, if necessary, additional funding for operating expenses from other sources such as the Legislature or the Cabinet Secretary of the Department of Administration.

We recommend the WVSASP comply with Chapter 5A, Article 3, Section 45 of the West Virginia Code.

Agency's Response

The debt was not paid due to a shortage in funds for WVSASP. Beginning with calendar year 2008, WVSASP has paid current invoices which are due to the Fleet Management Office. WVSASP has also implemented a plan to pay the old debt at \$60,000 per quarter beginning in July, 2008. This will allow WVSASP to pay this debt within approximately six (6) years. If WVSASP's financial position changes, these quarterly payments will increase accordingly. By addressing this matter, requests for additional funding will not likely be necessary.

The Purchasing Division agrees with this finding.

In conjunction with the Finance Division, a payment plan has been established to reimburse Fleet management for vehicles sold in accordance with Chapter 5A, Article 3, Section 45 of the West Virginia Code.

Uncollectible Accounts Receivable

The WVSASP has not consigned \$57,733.91 of uncollectible amounts due to a debt collection agency as provided for in Chapter 14, Article 1, Section 18a of the West Virginia Code which states in part,

“Any account, claim or debt that an agency of this State is not able to collect within three months after trying with due diligence to do so may be referred to the commissioner of finance and administration for consignment by the commissioner to a

responsible licensed and bonded debt collection agency or similar other responsible agent for collection. The commissioner shall not handle or consign any such account, claim or debt unless he is satisfied that the referring agency has made a diligent effort to collect the debt on its own; that the account or claim is justly, properly and clearly due the State; and that the collection of any such debt would not impose an undue, unjust, unfair or unreasonable hardship or burden upon the health or general welfare of the party owing the debt. In any such case of undue, unjust, unfair or unreasonable hardship or burden, the commissioner may, in his discretion, and with the review and approval of the attorney general, compromise, settle or dismiss the debt or claim. If he is satisfied that the aforesaid terms of any conditions for collectability have been met, the commissioner may consign the account, claim or debt to a responsible licensed and bonded debt collection agency or similar other responsible agent for collection. In any such case, the collection agency or other agent shall stand in the place of the State as creditor and shall have the same claims, rights and remedies against the debtor as the State has, and the debtor shall have the same rights, claims, defenses and setoffs against the collection agency or other agent as he has against the State.”

The WVSASP Manager stated the WVSASP has discontinued allowing State agencies and other eligible organizations to purchase State and Federal surplus property on credit as recommended in our prior audit. The accounts receivable balance, as of January 24, 2007 as maintained by the Finance Division was \$57,733.91 (\$25,152.10 Federal and \$32,581.81 State) and the Finance Division Director stated he and the WVSASP Manager agreed to defer the outstanding accounts receivable balances due from agencies/organizations because of the age of the balances and the inability to collect on these balances. The WVSASP Manager did not know why the uncollectible receivables were not consigned to a debt collection agency.

We recommend the WVSASP comply with Chapter 14, Article 1, Section 18a of the West Virginia Code and consign the uncollectible receivables to a bonded debt collection agency.

Agency's Response

It was the opinion of the State Comptroller/ Finance Director that the majority of the uncollectible balances were owed by State agencies, counties or cities and that collection of these debts would not have provided an overall cost benefit to the state. We note that the exact language of Chapter 14, Article 1, Section 18a of the West Virginia Code states that delinquent accounts "may be referred to the Commissioner of finance and administration for consignment".

The Purchasing Division agrees with this finding.

There will be no future uncollectible debts because the WVSASP has ceased the practice of extending credit as a result of a previous legislative audit finding.

Lack of Supporting Documentation for Personal Services

During our test of proper pay and overtime, the WVSASP could not provide time sheets to support an estimated 38% of compensation paid during our review period. We requested 504 semi-monthly time sheets for six of a total of 29 employees paid from the Sale of State Surplus Property Fund 2281 during our review period and were not provided with 191 time sheets (38%) of those selected for testing. We applied the 38% rate resulting from our test to the entire amount of personal services and employee benefits paid during our review period and project the following:

	<u>Total Paid</u>	<u>Projected Rate</u>	<u>Projected Amount Not Supported By Time Sheets</u>
Personal Services	\$1,234,823.96	37.80%	\$466,763.46
Employee Benefits	<u>466,308.39</u>	<u>37.80%</u>	<u>176,264.57</u>
Total	<u>\$1,701,132.35</u>	<u>37.80%</u>	<u>\$643,028.03</u>

Without supporting documentation we are unable to determine if the above transactions, as well as the associated annual and sick leave accruals, were made in accordance with the laws, rules and regulations that govern them.

The WVSASP 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. . . .”

Additionally, most of the WVSASP 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, Section 516.2 of the Code of Federal Regulations.

“... (a) *Items required.* Every employer shall maintain and preserve payroll or other records containing the following information . . . Every employer shall maintain and preserve payroll or other records containing the following information. . . .”

(7) Hours worked each workday and total hours worked each workweek (for purposes of this section, a “workday” is any fixed period of 24 consecutive hours and a “workweek” is any fixed and regularly recurring period of 7 consecutive workdays)”

We were told by the WVSASP manager that time sheets are not required to be retained after two years in compliance with Legislative Rule, Title 42, Series 8, Minimum Wage and Maximum Hours Standards Regulations which states in part:

“ . . . §42-8-4. Records to be kept by employers.
4.1. Form of records; scope of records. -- No particular order or form of records is prescribed. However, every employer who is subject to any of the provisions of the Act is required to maintain records for a period of not less than two (2) years.

In March 2008, we made our request in writing to the WVSASP Manager for all semi-monthly time sheets for six employees during our review period which should have totaled 504 semi-monthly time sheets; 191 semi-monthly time sheets were not provided. Of these 191 time sheets, 140 sheets were for time periods greater than two years ago and 51 time sheets for periods less than two years which have not been maintained in noncompliance with the preceding Legislative Rule.

We were told that employee compensation and leave accruals are not based on time reported on the employees' semi-monthly time sheets. If a change in regular pay occurs, WVSASP is to notify the Finance Division which prepares the payroll; otherwise an employee receives his regular semi-monthly compensation. No reconciliations are performed comparing time paid on the payroll to time worked on the semi-monthly time sheet. The accounting for leave accruals are based on amounts reported on the employee “application for leave with pay” form and no reconciliations were performed comparing the time requested on the forms and the time recorded as taken on the employees' time sheets.

We recommend the WVSASP comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, §516.2 of Title 29 of the Code of Federal Regulations and Legislative

Rule, Title 42, Series 8. We also recommend the WVSASP strengthen internal controls over personal services by maintaining time sheets and performing reconciliations pertaining to time worked, amounts paid, and leave accruals.

Agency's Response

In response to this finding, the responsibility to properly account for and reconcile all time sheets has been officially assigned to a specific individual.

The Purchasing Division agrees with this finding.

As described above, the Purchasing Division will comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, §516.2 of Title 29 of the Code of Federal Regulations and Legislative Rule, Title 42, Series 8.

Invoices Not Date-Stamped

During our review of Surplus Property, we noted employees did not consistently record the date vendor invoices were received by Surplus Property for 90 out of 209 instances or 43% of invoices tested in the amount of \$262,865.66. The table below lists the transactions selected in our review tests and the number of invoices that were not date stamped.

<u>Review Test</u>	<u>Number of Invoices Tested</u>	<u>Dollar Amount Tested</u>	<u>Number of Invoices Not Date Stamped</u>	<u>Dollar Amount of Invoices Not Stamped</u>	<u>Percentage of Invoices Not Stamped</u>
Current Expenses	91	\$ 93,710.73	58	\$ 16,659.10	63.74%
Merchandise for Resale	<u>118</u>	<u>1,549,088.23</u>	<u>32</u>	<u>246,206.56</u>	<u>27.12%</u>
TOTAL	<u>209</u>	<u>\$1,642,798.96</u>	<u>90</u>	<u>\$262,865.66</u>	<u>43.06%</u>

The 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. . . ”

The WVSASP Manager stated personnel should be recording the date the invoice was received on the invoice in addition to paying these invoices in a timely manner. Without a date stamp, we are unable to determine if transactions were processed and paid timely in accordance with the Chapter 5A, Article 3, Section 54 of the West Virginia Code as follows:

Chapter 5A, Article 3 Section 54 of the West Virginia Code states in part:

*“(b)(1). . . for purchases of services or commodities...a state check should be issued in payment thereof within sixty days after a legitimate uncontested invoice is received by the state agency receiving the services or commodities. . . . (3). . . **an invoice shall be deemed to be received by a state agency on the date on which the invoice is marked received by the agency.** . . . (d). . . the state agency initially receiving a legitimate uncontested invoice shall process such invoice for payment **within ten days from its receipt . . . ” (emphasis added).***

We recommend the WVSASP comply with Legislative Rule, Title 155, Series 1, Section 3.9 and date-stamp invoices upon receipt.

Agency's Response

It was routine practice for the envelopes to be stamped upon receipt, but not the invoice directly. In the future, all invoices will be stamped upon receipt.

The Purchasing Division agrees with this finding.

As described above, the Purchasing Division will comply with Legislative Rule, Title 155, Series 1, Section 3.9 and date-stamp invoices upon receipt.

Informational - Special Revenue Accounts
Not Explicitly Authorized by Statute

We were unable to locate authorization for the special revenue accounts used by the WVSASP and requested legal assistance from Legislative Services. In a memorandum dated June 14, 2004 to the Director of the Legislative Post Audit Division, Legislative Services staff counsel stated in part,

“ . . . Apparently, before the Code was amended in 1990, . . . the Surplus Property Agency operated with two special revenue accounts. Those two accounts, numbers 2280-999 and 2281-999, still exist today for the purposes of sale of federal and state surplus property, respectively. Although there is no specific authorization under Article 3, Chapter 5A for such special revenue accounts, it appears from the duties imposed and authorities granted that the Legislature intended for the Agency to continue operating with these two special revenue accounts. This intention is demonstrated in the granting of authority to impose charges or assess fees associated with the sale, warehousing, distribution and transfer, and the further instruction that proceeds from such sales be deposited in the state treasury. This is the way an *explicitly* authorized special revenue account would operate. Because the Legislature has provided for the requisite powers and duties that define the hallmarks of a special revenue account, I conclude that operation of the accounts is lawful, yet would recommend that, as the better management practice, the Legislature *explicitly authorize the special revenue accounts* in order to avoid difficulties in being properly recognized by the State Auditor.”

We recommend the WVSASP request the Legislature to amend Chapter 5A, Article 3 to include explicit authorization to operate special revenue accounts.

Agency's Response

WVSASP will recommend to the Department of Administration to amend Chapter 5A, Article 3 to include explicit language providing authorization to operate special revenue accounts. The Purchasing Division agrees with this finding.

SUPPLEMENTAL INFORMATION



JOE MANCHIN III
GOVERNOR

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DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
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ROBERT W. FERGUSON, JR.
CABINET SECRETARY

DAVID TINCHER
DIRECTOR

TO: Aaron Allred, Legislative Manager
Office of Legislative Auditor

FROM: Dave Tinchler, Director *DT*
Purchasing Division

DATE: May 7, 2008

RE: State Surplus Property Inventory

Thank you for the recent inquiry relating to the State Surplus Inventory System. My understanding of the delay in implementation of the system is the same as Surplus Property Manager Ken Frye. We are dependent on the IS&C Development Center to implement the system since we do not have the required technical staff to implement the system ourselves. Delays by the IS&C Development Center are outside of our ability to control; however, I have recently discussed the issue with Chief Technology Officer Kyle Schafer, who assured me that he is aware of the situation. I regret that I am unable to currently provide you with a firm completion date; however, I will so advise as soon as I receive an update from Mr. Schafer. It is come to my attention that Mr. Schafer received a similar letter regarding this matter, therefore; additional and more specific information may be available from Mr. Schafer.

If you have any questions or need additional information, please let me know.

DT/dw

cc: *Robert W. Ferguson, Jr., Cabinet Secretary, Department of Administration*
Kyle Schafer, Chief Technology Officer, Office of Technology

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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Aaron Allred
Legislative Manager
Legislative Auditor

MEMORANDUM

To: Dave Tincher, Purchasing Division Director
From: Aaron Allred, Legislative Manager *AA*
Date: May 2, 2008
Subject: State Surplus Property Inventory

We have attached your letter dated April 11, 2007 that approved the West Virginia State Agency For Surplus Property (WVSASP) to acquire a system from IS&C to maintain an inventory of State surplus property available for sale as recommended in a prior audit recommendation. It is our understanding through conversations with Mr. Ken Frye that, as of today, an inventory system has not been put into operation because IS&C has been short-staffed and other IS&C projects have taken priority. Please explain, in writing, to us the reasons why the inventory system has not been implemented and provide an estimate of when you expect to have an inventory system in operation. Your attention to this request is greatly appreciated. In order to complete our report in time for presentation to the Postaudit Subcommittee on May 19, 2008, we would like to have your response by Wednesday, May 7, 2008.

c: Robert Ferguson, Cabinet Secretary



JOE MANCHIN III
GOVERNOR

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
2019 WASHINGTON STREET, EAST
P.O. BOX 50130
CHARLESTON, WEST VIRGINIA 25305-0130

ROBERT W. FERGUSON, JR.
CABINET SECRETARY

DAVID TINCHER
DIRECTOR

April 11, 2007

Mr. Thedford L. Shanklin, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Boulevard, East
Charleston, WV 25305

Dear Mr. Shanklin:

This letter is in reference to a previous Post Audit recommendation that Surplus Property acquire a system to maintain an inventory of State surplus property available for sale.

Attached you will find a general system description and estimate prepared by the IS & C Development Center, which I approved today.

If you have any questions or need additional information, please let me know.

Respectfully,

David Tinchler, Director
Purchasing Division

DT/dw

Attached

04/11/07

Department of Administration
IS&C Development Center
Request For Data Processing Services

Page 1 of 1

Pas Number : 533AAR Project Num : FAF107001
Requested by : Ken Fry Phone Num : 766-2626 Fax Num :
Date Received : 04/10/2007 Priority : M Req'd CompDate : 07/16/2007
Requesting Agency : ADMINISTRATION

Short Description : Creation of a State Surplus Inventory System

Description of Request :

The web application will be designed in the following manner:

Layout (look & navigation) the basic design will use a tabbed application design. The final approval of this look will be by Surplus Property.

Administrative Panel - the specifications for administrative process - user will have the ability to maintain User access accounts & Inventory Items Maintenance

Site Initial Content: - the initial data load will contain all existing Inventory Items and User access accounts.

Description of Solution:

The West Virginia Office of Technology will create a web based ASP.Net 2.0 application with the data storage to SQL Server Database residing on the Office of Technology's SQL server farm. All Business Rules will be defined and maintained in the new system. New Business Rules based on the requirement of items with values of \$1000.00 or greater will be downloaded from the WVFMS fixed asset system. Items will be removed from this system through an invoicing process when items are sold to an eligible organization. When items are sold at auction, they will be removed in bulk by a special document created for this purpose. Individual auction sales will not be tracked by this system. If during the course of development Surplus Property requires additional Business Rules, each will be reviewed & analyzed. Additional charges may be required for changes outside the scope of this project.

Est Hours : 652 Est Amt : \$45,640.00 Est Comp Date : 09/03/2007

Actual Hrs : 0 Actual Amt : Actual Comp Date :

Project Leader: MONROE GILLESPIE Programmer : DAVID LESTER QA :

Auth Signature : Auth Date : Date Assign : 04/10/2007

X  4/11/07

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

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

Given under my hand this 19th day of May 2008.



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

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