

LEGISLATIVE FOLLOW-UP REPORT

BLUEFIELD STATE COLLEGE

FOR THE PERIOD JULY 1, 2005 - JUNE 30, 2007

REPORT OVERVIEW

- * Total of 45 Finding in three previous Post Audits
- * Complied with 22 Findings
- * Partially Complied with 15 Findings
- * Did Not Comply with Eight Findings



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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The Joint Committee on Government and Finance:

Upon the request of the Legislative Post Audit Committee, we conducted a follow-up review of Bluefield State College to examine the implementation of recommendations contained within three previously issued post audit reports, as follows:

- Legislative Audit Report of Bluefield State College for the period of July 1, 2005 – June 30, 2007 (Released July 15, 2009)
- Special Report of Bluefield State College's Athletic Department Cash Receipts and Disbursements to/from Bluefield State College Foundation Account for the period of July 1, 2005 – June 30, 2007 (Released February 9, 2009)
- Special Report of Bluefield State College Athletic Department Receipts and Disbursements for the period of July 1, 2005 – June 30, 2007 (Released August 25, 2008)

We did not include the special report of Bluefield State College internal controls over imprest funds and cash collection points for the period of July 1, 2005 through June 30, 2007 (Released May 19, 2008) in this follow-up because a follow-up for it was presented to the Committee on October 13, 2008.

As part of the follow-up process, we conducted follow-up interviews with various Bluefield State College personnel; reviewed supporting documentation; and performed other audit procedures as deemed necessary, including testing, to determine if the institution complied with our recommendations. The results of our follow-up are reported on the following pages of this memorandum.

Respectfully submitted,

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

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

**BLUEFIELD STATE COLLEGE
FOLLOW-UP OF PREVIOUSLY ISSUED POST AUDIT REPORTS**

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**BLUEFIELD STATE COLLEGE
FOLLOW-UP OF PREVIOUSLY ISSUED POST AUDIT REPORTS**

**ADMINISTRATIVE OFFICERS AND STAFF
AS OF JUNE 30, 2010**

Administration

Dr. Albert L. Walker, Ed. DPresident
Donald Smith, Ed. D Vice President for Academic Affairs
John C. Cardwell, M.A Vice President for Student Affairs
Shelia Johnson, B.S..... Vice President for Financial and Administrative Affairs
James A. Nelson, B.SAssistant to the President/Director of Institutional Media Relations
Felicia Williams, Ph.DExecutive Director of Institutional Development and Advancement
Tracey Anderson, Ed.D..... Director of Institutional Research and Effectiveness
Thomas E. Blevins, Ed.DDean of Technology and Virtual College
Christina Brogdon Human Resource Director
Karen Harvey..... Director of Advancement and Planning
Paul Rutherford..... Purchasing Director
Terry Brown Athletic Director

**BLUEFIELD STATE COLLEGE
FOLLOW-UP OF PREVIOUSLY ISSUED POST AUDIT REPORTS**

COMPLIANCE SUMMARY

There were a total of 45 findings in the three previously issued post audit reports. We found the College complied with recommendations of 22 findings; partially complied with recommendations of 15 findings; and did not comply with recommendations of eight findings.

Legislative Audit Report of BSC for the period of July 1, 2005 – June 30, 2007 (Released July 15, 2009)

| | <u>Complied?</u> | | |
|---|------------------|-----------|------------------|
| | <u>Yes</u> | <u>No</u> | <u>Partially</u> |
| Finding 1 – Equipment Inventory | | | X |
| Finding 2 – Cash Receipts | | | X |
| Finding 3 – Accounts Receivable | | | X |
| Finding 4 – Dual Compensation | | | X |
| Finding 5 – Unsupported Payouts of Cash in the Bookstore | X | | |
| Finding 6 – Lack of Support for Compensation Paid to Non-Exempt Employees | X | | |
| Finding 7 – Purchasing Card Delegation | | | X |
| Finding 8 – Fraudulent Time Records | X | | |
| Finding 9 – Library Inventory | | X | |
| Finding 10 – Bookstore and Supply Room Inventory | X | | |
| Finding 11 – Auxiliary Scholarships and Tuition Waivers | X | | |
| Finding 12 – Fuel Purchases | | | X |
| Finding 13 – Tuition Waivers | X | | |
| Finding 14 – Employee Termination | | | X |
| Finding 15 – Invoices Paid Untimely | | X | |
| Finding 16 – Inaccurate Leave Balances | | | X |
| Finding 17 – Receiving Reports | | | X |
| Finding 18 – Misclassification and Untimely Allocation of Interest Income | | | X |
| Finding 19 – Misclassified Expenditure Transactions | X | | |
| Finding 20 – Allocation of Tuition and Fees Revenues to Proper Fund | | X | |
| Finding 21 – Financial Aid | | X | |
| Finding 22 – Late Fee Finding | X | | |
| Finding 23 – Untimely Reconciliation of FIMS to Banner | X | | |
| Finding 24 – Unable to Audit Book Vouchers, Gift Certificates, and Coupons Redeemed at Bookstores | | | X |
| Finding 25 – Student Health Center Inventory of Medications | | X | |
| | | | |

| | <u>Complied?</u> | | |
|--|------------------|-----------|------------------|
| | <u>Yes</u> | <u>No</u> | <u>Partially</u> |
| Finding 26 – Non-allowable Expenditures from Federal Moneys | X | | |
| Finding 27 – Agreement with Concord Not Approved by Governing Board | X | | |
| Finding 28 – Chartered Bus Services | X | | |
| Finding 29 – Single Day Travel Meal Reimbursement Not Reported As Taxable Income | | | X |
| Finding 30 – Food Tax | X | | |
| Finding 31 – IRS Penalty | | X | |
| | 13 | 6 | 12 |

Special Report of Bluefield State College’s Athletic Department Cash Receipts and Disbursements to/from Bluefield State College Foundation Account for the period of July 1, 2005 – June 30, 2007 (Released February 9, 2009)

| | <u>Complied?</u> | | |
|--|------------------|------------|------------------|
| | <u>Yes</u> | <u>No</u> | <u>Partially</u> |
| Finding 1 – Foundation Athletic Account Deposits | | | X |
| Finding 2 – Foundation Athletic Account Expenditures | X | | |
| Finding 3 – Misstatement of Financial Statements | X | | |
| Finding 4 – BSC and Foundation Not Viewed as Separate Entities | | | X |
| | 2 | N/A | 2 |

Special Report of Bluefield State College Athletic Department Receipts and Disbursements for the period of July 1, 2005 – June 30, 2007 (Released August 25, 2008)

| | <u>Complied?</u> | | |
|--|------------------|-----------|------------------|
| | <u>Yes</u> | <u>No</u> | <u>Partially</u> |
| Finding 1 – Cash Receipts | X | | |
| Finding 2 – Cash Advances | X | | |
| Finding 3 – Alteration of Documentation | X | | |
| Finding 4 – United Bank Travel Card | | X | |
| Finding 5 – Payments to Game Officials | X | | |
| Finding 6 – Unauthorized and Undocumented Expenditures | X | | |
| Finding 7 – Athletic Tuition Waivers | X | | |
| Finding 8 – Invoices Not Timely Processed for Payment | | X | |
| Finding 9 – Lack of Proper Supporting Documentation | X | | |
| Finding 10 – Game Workers’ Payroll | | | X |
| | 7 | 2 | 1 |

BLUEFIELD STATE COLLEGE
FOLLOW-UP OF PREVIOUSLY ISSUED POST AUDIT REPORTS

Special Report of Bluefield State College Athletic Department Receipts and Disbursements for the period of July 1, 2005 – June 30, 2007 (Released August 25, 2008)

Finding 1 Equipment Inventory

Finding: We noted significant internal control weaknesses over equipment inventory and non-compliance with various rules and regulations. Also, the College's inventory was materially misstated.

Recommendation: We recommended the College comply with State statute and other applicable rules and regulations and implement proper management oversight and internal controls over inventory. Further, since the College lacked many of the basic internal controls over inventory, we recommended the College work with the WVHEPC and the Legislature and consider requiring institutions under the WVHEPC to follow Purchasing Division Policies and Procedures, including maintaining inventory with an acquisition cost of \$1,000.00 or greater and items susceptible to theft in the accounting system and retiring equipment inventory through the West Virginia State Agency for Surplus Property (WVSASP).

Spending Unit Action: The College partially complied with our recommendations.

- We confirmed the College recorded the physical locations of equipment items on the current inventory list.
- The Purchasing Director sent out a memo to all department heads and division deans on December 1, 2009 in regards to the proper procedures for fixed assets and inventory. Also, the Purchasing Director and Purchasing Assistant II presented a power point in reference to Property Management.
- Student workers no longer input or remove items into the inventory system.
- Computer equipment waiting to be retired is no longer stored in an unsecured location. Rather, all items waiting to be surplused are stored in the secured storage building behind the Physical Education building or in the Physical Education building.
- The fiscal year 2009 Inventory was certified by the Purchasing Director and by the Vice President for Financial and Administrative Affairs. However, College personnel told us the West Virginia Higher Education Policy Commission (WVHEPC) told the College not to send them a copy of the completed inventory.
- The Public Safety Officer timely notifies College management and the Purchasing Director of any reported thefts.
- Inventory is no longer disposed of via the dumpster. The Purchasing Director told us that he breaks down obsolete items and places the items in the truck for disposal. The Purchasing Director told us he prepares a retirement form for these items and documents disposal via landfill truck.

- We reviewed 38 transactions with a total acquisition cost of \$300,070.15 and noted the following:
 1. College personnel were unable to locate seven items with a total original acquisition cost of \$15,829.68.
 2. We also found two items with an original acquisition cost of \$9,000.00 where the location on the inventory list did not match the actual physical location of the items.
 3. One item with an original acquisition cost of \$1,040.00, did not have an affixed asset tag.
 4. Finally, we noted six items, with an original acquisition cost of \$64,428.66, that, were not listed in the inventory system -- even though all of the items were affixed with inventory tags. The Purchasing Director stated if all fields were not complete in the College's Banner accounting system, then the system would not pull the information into the inventory system. Nevertheless, we noted two of the six items were entered in the Banner system.

- The College has not established a central receiving department as required by West Virginia Code.
- The Board of Governors Policy no. 29 was changed to state the Chief Procurement Officer shall inventory all equipment and furnishings that have a value at the time of purchase or acquisition of \$5,000.00 or more per unit. However, we recommended the College keep an inventory of items with an acquisition cost of \$1,000.00 or more, including computers and other items highly susceptible to theft.

*Spending Unit
Response:*

(Partially) The College has implemented almost all of the items cited in the equipment inventory finding from July, 2009 report and made great strides in better management oversight of the equipment inventory. The College had previously contracted an outside firm to review processes related to inventory and have implemented most of the recommendations from the independent firm. We are in the process of having the internal controls again reviewed to evaluate additional improvements. With the layout of the campus and the location of various buildings and offices, a central receiving department will be difficult to implement without some major relocations and renovations of various departments on campus. This item will also be reviewed with an outside consultant to determine if there is some easier and more cost effective way of implementation without disruption and major costs of renovation and relocation. The federal requirement for equipment capitalization is \$5000 which the College complies with; tracking of items greater than \$1000 will require additional personnel and there are very few items stolen from campus, therefore the cost benefit of tracking greater than \$1000 may not be reasonable.

Finding 2**Cash Receipts**

Finding: Due to significant weaknesses in internal controls over cash collection points, we were unable to determine all moneys received at the College campuses were deposited and were unable to audit cash receipts deposited, totaling approximately \$3.16 million.

Recommendation: We recommended the College comply with West Virginia Code and strengthen internal controls over the receipt of funds and develop and implement policies and procedures to ensure internal controls are in place.

Spending Unit Action: The College partially complied with our recommendations. The College strengthened internal controls at eight of the ten cash collection points. The College no longer collects moneys in the Library, Security Office, Registrar's Office and the Student Health Center. Summersville, Lewisburg and Beckley Bookstores are no longer an extension of the College and the Campus Bookstore implemented the Point-of-Sale system. The Copy Card Machines are capable of printing a report detailing the cash receipts collected; after which, the report is matched to the deposit. Further, we were provided a memo issued by the Vice President for Financial and Administrative Affairs, which states, "All collections, at all locations, are to be deposited at the appropriate Business Office within twenty-four (24) hours of collections."

However, internal controls were not strengthened in the Cafeteria or Testing Center. The Cafeteria does not keep a price list of all items sold and the cash register tape is not detailed by type of item. The Testing Center continued to have a lack of segregation of the cashier and accounts receivable functions and there was no offsetting management oversight in lieu of the lack of segregation of duties. However, the Testing Center did discontinue accepting overpayments.

*Spending Unit
Response:*

(Partially) The College has made several improvements related to cash receipts and collection points and strengthened internal controls. The Cafeteria does have a price listing of all items sold; however, the cash register does not have the capability to detail the items. The College is evaluating the cost of such a cash register and will be considering the cost in relation to evaluating a new location/area for a Cyber Café. Management of Enrollment Services will have a greater role in the oversight of the Testing Center accounts receivable functions. Management will also conduct periodic reviews of the processes for cash collected at the Testing Center.

Finding 3

Accounts Receivable

Finding: The College was extending financial credit to students in noncompliance with rules and regulations; was not attempting collection of outstanding accounts receivable balances; and forgave book vouchers that were outstanding after a two-year period and treated them as a scholarship and, therefore, did not reflect these as amounts as outstanding accounts receivables on the College's financial statements.

Recommendation: We recommended the College operate on a strictly cash basis with all payments and obligations being collected prior to the start of classes, except as provided in the West Virginia Code and Board of Governors Policy; develop and implement a policy governing the collections of outstanding accounts receivables; discontinue using other funding sources to cover book vouchers not paid by students; consider whether issuing book vouchers is cost beneficial for the College; and implement an accounts receivable module in the Banner System.

Spending Unit Action: The College partially complied with our recommendations. The Vice President for Student Affairs and Enrollment Management provided us with a written statement that the College discontinued the practice of using other funding sources to cover book vouchers (book loans) not paid by students and reflect the outstanding book vouchers on the financial statements. Rather, the students' financial aid is being used to cover the book loans. Therefore, the College is currently operating on a strictly cash basis.

However, the College has not implemented any policies or procedures on the collections of outstanding accounts receivables; has not implemented an accounts receivable module in the banner system or another comparable program; and is not attempting collection of outstanding accounts receivables. As of August 5, 2010, the outstanding third-party accounts receivables totaled \$66,633.84. The Accounts Receivable Supervisor told us that the College is in the process of implementing an electronic receivables module in Banner and is planning on utilizing a collection agency.

*Spending Unit
Response:*

(Partially) College personnel have had several meetings and discussions and several actions taken related to the accounts receivable function. We have met with an outside collection agency to begin the process of turning tuition and fee receivables over to them and we are reviewing the contract. Staff is also reviewing the account balances in the accounts receivable module to insure all data previously entered into the accounts receivable module are correct before transferring to a collection agency. College personnel have had Banner Accounts Receivable training for three days the end of July and discussed with another institution to visit for a couple of days to gain better insight into the processing/collection/transferring/funds receipt of financial aid as relates to

student accounts and then to proper state fund accounts. Draft flowcharts have been developed to show the logic sequence of the various processes. Reports are being generated between Banner Accounts Receivable and Banner Finance to verify account coding information is correct between the two systems. Internal processes and procedures are being well defined before final implementation to insure detailed data, summarization, etc. is correct and a good audit trail is available. The College will continue with the planning and implementation of the Accounts Receivable module and complete implementation is planned prior to the summer term of 2011.

Finding 4 **Dual Compensation**

Finding: The College paid full-time employees moneys in addition to their regular salaries for job duties covered in their regular job descriptions. Although requested, College personnel failed to produce time cards documenting that work performed for the additional pay was for work hours in excess of a regular workweek. Also, one employee was paid \$619.19 in excess of the salary established in State statute.

Recommendation: We recommended the College comply with the FLSA and discontinue the practice of paying employees as extra help that are performing regular job duties. We also recommended the College require regular employees to keep time records for hours worked; determine if any other overpayments were made to employees; and consult legal counsel to determine if the aforementioned and any other instances of over compensation should be recovered from employees.

Spending Unit Action: The College partially complied with our recommendations. We noted the College discontinued the practice of paying employees as extra help that are performing regular job duties.

However, College personnel did not determine if any other over/under payments were made to employees and did not consult legal counsel to determine if the instances of over/under compensation should be recovered from employees.

*Spending Unit
Response:*

(Partially) College personnel have implemented several changes and improvements to prevent the perception of dual compensation being paid. Within recent years, there have been six different personnel in two payroll positions. The findings of over/under payments were for a few years ago, and College personnel are not sure if the information is available to evaluate the correct method of payment and historical information to make such a decision.

Finding 5 Unsupported Payouts of Cash in the Bookstore

Finding: The Bookstores issued over \$100,000.00 in payouts of cash during our audit period without sufficient documentation to support the reason for the payouts.

Recommendation: We recommended the College comply with West Virginia Code and maintain adequate documentation to support payouts of cash in the Bookstore. We further recommended the College designate employees, separate from the cashier function, to document their authorization of refunds at the time of the transaction.

Spending Unit Action: The College complied with our audit recommendation. A copy is made of the original sales receipt and attached to the payout report. Also, the Bookstore Manager or Bookstore Supervisor authorizes the payout report at the time of the payout of cash.

Spending Unit

Response: The College has complied with this finding.

Finding 6

Lack of Support for Compensation Paid to Non-Exempt Employees

Finding: College personnel were unable to provide us with timecards to support compensation paid to three non-exempt employees totaling \$68,957.50.

Recommendation: We recommended the College comply with Title 29 of the Code of Federal Regulations and require nonexempt employees keep and submit timecards to the respective supervisor for approval. The approved time records should be reviewed by the Payroll Department to ensure the employees are being compensated for services rendered in accordance with West Virginia Code.

Spending Unit Action: The College complied with our audit recommendation. The Payroll Senior Project Coordinator told us if time cards of nonexempt employees are not submitted to her by the 10th of the month then the respective employee is not paid. The supervisors complete a calendar showing any time taken off by their staff and, if applicable, compensatory time worked and taken. The Payroll Department also matches the time card to the corresponding calendar to verify hours worked and leave taken are accurate.

Spending Unit

Response:

The College has complied with this finding.

Finding 7 **Purchasing Card Delegation**

Finding: We noted three instances of purchasing card (p-card) delegation totaling \$2,569.53 during our audit period.

Recommendation: We recommended the College comply with the Purchasing Card Policies and Procedures by prohibiting card delegation; implement a policy requiring employees to secure p-cards on the premises of the College; and consider reducing the number of p-cards issued to agency personnel.

Spending Unit Action: The College partially complied with our recommendations. The College reprimanded the individuals who were allowing the p-card delegation. In addition, the College now requires p-card holders to take a test every two years which, among other things, includes the subject of p-card delegation. Finally, the Purchasing Director II and Purchasing Assistant II gave a power point presentation to explain the proper usage of the purchasing card to Directors under the Vice President for Financial and Administrative Affairs.

However, the College did not implement a policy requiring employees to secure p-cards on the premises of the College. The Purchasing Director told us the p-card holders need to have their cards so they can make purchases. Also, the College has not reduced the number of p-cards issued to agency personnel; rather, the Purchasing Director II informed us that the WV State Auditor's Office is planning on increasing the number of p-cards issued.

*Spending Unit
Response:*

(Partially) The College has implemented processes and additional training to remind employees of their responsibilities related to the purchasing card program. The purchasing card is the preferred payment method established by the State and due to the preferred method, will likely increase the number of cards instead of reduce the number of cards. College personnel frequently purchase items from the business directly in person; therefore, securing the card on campus is not reasonable. If the card is required to be on campus, this could delay purchasing and receiving time and cause an inefficient use of personnel time. The Purchasing Director will remind personnel to keep the purchasing card in a secure location on a routine basis.

Finding 8

Fraudulent Time Records

Finding: We noted College Maintenance employees were not recording hours worked to accrue compensatory leave and not recording compensatory leave taken on their respective timecard.

Recommendation: We recommended the College require all employees to keep accurate time records in accordance with the FLSA to ensure employees are paid only for services rendered in compliance with West Virginia Code.

Spending Unit Action: The College complied with our recommendation. College personnel provided us with Maintenance employees' time sheets [and related documentation] that reflected the hours worked to accrue compensatory leave and the compensatory leave taken.

Spending Unit

Response: The College has complied with this finding.

Finding 9**Library Inventory**

Finding: Prior to Spring 2008, the College had not performed an inventory of books, periodicals and other materials kept in the library in approximately 10 years; therefore, we were unable to audit the inventory of the library. Also, 501 books could not be located during the Spring 2008 inventory.

Recommendation: We recommended the College work with the WVHEPC and develop policies and procedures to govern the inventory of books and periodicals. Also, we recommended the College perform a periodic inventory of items held in the library and implement proper management oversight in accordance with West Virginia Code.

Spending Unit Action: The College did not comply with our recommendation. The College has not performed an inventory of books, periodicals and other materials kept in the library since Spring 2008. Also, no policies and procedures have been developed to govern the inventory of books and periodicals. The Library Services Director I told us bar codes have been placed on books and the bar code scanning system is installed; however, the data has not been entered into the system. Also, she informed us no security gate has been installed due to shortage of funds.

*Spending Unit
Response:*

(No Comply) In recent weeks, the Library has established a policy for the electronic items in the library's collection. Electronic inventory of the collection is expected to begin within the next 7 to 10 days using equipment provided by the Instructional Technology Center. One security gate has been relocated several feet to allow for greater security over the Library inventory.

Finding 10 **Bookstore and Supply Room Inventory Finding**

Finding: We were unable to audit the inventory of the Bookstores and Supply Room because a perpetual inventory record was not kept during our audit period.

Recommendation: We recommended the College comply with West Virginia Code and implement a perpetual inventory system.

Spending Unit Action: The College complied with our recommendations. Point-of-Sale systems were installed in the Bookstore and the Supply Room. We tested these systems and determined they were operating properly.

Spending Unit

Response: The College has complied with this finding.

Finding 11**Auxiliary Scholarships and Tuition Waivers**

Finding:

We were unable to audit auxiliary scholarships and tuition waivers issued during the Fall 2005 and Spring 2006 college semesters totaling \$85,719.00 and \$289,260.50, respectively, due to lack of supporting documentation. We tested FY 2007 transactions and noted seven of 15 auxiliary scholarship transactions tested and 17 of 24 tuition waiver transactions tested did not meet the eligibility criteria set out in the College Policy. We further noted there was lack of support documenting the waiver of eligibility requirements.

Recommendation:

We recommended the College ensure auxiliary scholarships and tuition waivers are issued in compliance with State statute and internal policies and keep original documentation (i.e., Memorandums, Award Letters) to support financial aid disbursed to students.

Spending Unit Action:

The College complied with our recommendations. The College utilizes an Excel spreadsheet to document the students receiving auxiliary scholarships and tuition waivers; the respective amounts; and any waivers of eligibility requirements. The Vice President for Student Affairs and Enrollment Management told us original scholarship applications, memorandums sent to the Financial Aid Office notating the students' aid and [acceptance] award letters are kept by the College.

*Spending Unit**Response:*

The College has complied with this finding.

Finding 12**Fuel Purchases**

Finding: The College assigned fuel cards to the driver of the fleet vehicle rather than to the vehicle itself; fuel cards were logged out and purchases made on the card without State vehicles being assigned to the respective employees; fuel card purchases were made when the fuel cards were not logged out; a reconciliation was not performed of the fuel receipts to the fuel credit card statement; and the manual log detailing the usage of the on-site fuel tank was not reconciled to the usage of the fuel.

Recommendation: We recommended the College strengthen internal controls over the use of fuel purchases by, among other things, reconciling the fuel log to the usage of the fuel tank; performing a reconciliation of fuel receipts to fuel credit card billings; maintaining documentation to support the fuel card usage; assigning a set of fleet fuel cards to each vehicle; and discontinuing the practice of allowing fuel cards to be assigned to an employee without assigning the associated vehicle.

Spending Unit Action: The College partially complied with our recommendations. The Administrative Assistant Senior forwards copies of fuel receipts to the Accounting Department. The Accounting Assistant II reconciles fuel card billing statements to receipts. Also, the Administrative Assistant Senior measures the gallons remaining in the onsite fuel tank at the end of each month and reconciles the fuel log to the fuel tank usage. The Administrative Assistant Senior has drafted procedures over the onsite fuel tank.

The College did not assign a set of fleet fuel cards to each vehicle and did not discontinue the practice of allowing fuel cards to be assigned to an employee without assigning the associated vehicle. Particularly, we noted five instances in the month of February 2010 where cards were signed out without a vehicle assigned. Two of these instances resulted in purchases on the fuel card totaling \$52.00. We were unable to determine if these purchases were for authorized State expenditures. The Administrative Assistant Senior told us that the fuel cards were used to fuel the College's backhoe; however, this was not documented on the log sheet.

Spending Unit

Response: *(Partially) Greater documentation will be maintained for fuel cards dispersed daily. The College believes more fuel cards assigned to various vehicles will create a larger security risk than currently exists.*

Finding 13 **Tuition Waivers**

Finding: The College issued 15.04 tuition waivers above the amount allowed per State statute to students in fiscal year 2006.

Recommendation: We recommended the College implement proper management oversight to ensure tuition waivers are issued in compliance with State statute and internal policies.

Spending Unit Action: The College complied with our recommendations. Senate Bill 564 during 2008 Regular Session changed State statute to allow institutions to give tuition waivers up to 10% of the previous fall tuition and required fees. The Vice President for Student Affairs provided us with documentation indicating the College's compliance with State Statute in issuing the 2009-2010 academic year tuition waivers. Note: We relied on the dollar amount of tuition and required fees provided to us by the Vice President for Student Affairs.

*Spending Unit
Response: The College has complied with this finding.*

Finding 14**Employee Termination**

Finding: The College did not complete Personnel Action forms (WV-11's) when an employee terminated employment. We tested seven of 28 employees termination pay and noted three employees were overpaid; one employee was underpaid; and we were unable to determine if one of the employee's termination pay was proper.

Recommendation: We recommended the College submit WV-11's to the State Budget Office at the time an employee terminates employment. In addition, the agency should recover the overpayment amounts from the employees and compensate the employee for services rendered.

Spending Unit Action: The College partially complied with our recommendations. The College is submitting WV-11's to the State Budget Office at the time an employee terminates employment.

However, the Senior Project Coordinator/Payroll told us she did not recover the overpayments from employees and did not compensate the employee for services rendered, as recommended in our prior report. She told us this was because she was not aware of the specific details pertaining to this finding. We gave her the details. It should be noted during the initial field work of the prior post audits we informed the Senior Project Coordinator/Payroll of the differences between our calculated amounts and the actual paid retirement/resignations amounts.

Spending Unit

Response: *(Partially) Greater management oversight has been implemented and will continue for verification of calculated amounts paid to employees upon termination.*

Finding 15

Invoices Paid Untimely

Finding: We noted the College untimely processed expenditure transactions totaling \$1,342,667.62 and travel transactions totaling \$38,198.63 in non-compliance with the West Virginia Code and other rules and regulations.

Recommendation: We recommended the College comply with West Virginia Code and other rules and regulations by timely processing invoices for payment; date/time stamping invoices when received; and ensuring all invoices are forwarded directly to the Accounting Department, rather than the department which made the purchase.

Spending Unit Action: The College did not comply with our recommendations. We reviewed four travel transactions and noted all transactions were processed untimely in non-compliance with the College's Board of Governor's Policy No. 22.

Spending Unit

Response:

(No Comply) The current Board of Governor's Policy Number 22 will be reviewed and updated. College personnel do not always process their travel timely and especially if the reimbursement is small. The recommended changes will be presented to the College Council and Board of Governors in the near future as five business days to process travel is not practical.

Finding 16**Inaccurate Leave Balances**

Finding: We noted three of five employee's sick leave balance tested as of June 30, 2007 was misstated. Also, we noted three of the five employee's annual leave balance tested as of June 30, 2007 was misstated.

Recommendation: We recommended the College's Payroll Department review and maintain timecards and leave forms in order to ensure payment is made for only services rendered and annual leave accrual rates are accurate. Additionally, we recommended the College adjust employees leave rates accordingly; keep support for all adjustments to employees' leave balances; and review all employees leave to ensure balances are accurately reflected.

Spending Unit Action: The College partially complied with our recommendations. The Payroll Department, if applicable, reviews employee's timecards, leave forms and the leave system on a monthly basis. Also, the Payroll Department personnel told us that they reviewed all employees leave to ensure balances were accurately reflected and in doing so corrected one employee's full-time equivalent (FTE). Additionally, the Department told us they keep support for all adjustments to employees' leave balances.

However, during our follow-up, Payroll Department personnel told us that they were not aware of the specifics on the finding and, therefore, had not adjusted the aforementioned employee's misstatement of sick and annual leave balances as of June 30, 2007. We gave them the employee names and the respective misstatement amount and they have now corrected the misstatements of sick and annual leave balances noted in the finding.

*Spending Unit
Response:*

(Partially) All known misstatements of sick and annual leave balances have been corrected. The process has been updated to verify all timecards submitted against the annual/sick leave system for accuracy.

Finding 17**Receiving Reports**

Finding: We noted receiving reports were prepared by an employee who did not receive the commodities; receiving reports were not prepared to support commodities were received; and the Bookstore purchases did not have Cabinet Level approval.

Recommendation: We recommended the College comply with State statute and require receiving reports be prepared at the original point of receipt of the commodities by the employee receiving the commodity and within 24 hours of receipt of the commodity. Also, we recommended purchase orders receive the proper Cabinet Level approval.

Spending Unit Action: The College partially complied with our recommendations. The Bookstore purchase orders over \$5,000.00 receive proper Cabinet Level approval. We tested 11 purchasing transactions and noted receiving reports were completed for all transactions.

However, we were unable to determine if the receiving report for these 11 transactions tested was completed at the original point of receipt of the commodities by the employee receiving the commodity and within 24 hours of receipt. This is because the Purchasing Director II told us the Purchasing Department continues to receive items for other departments but does not open the boxes and does not complete a receiving report. Rather, all items received in the Purchasing Department are forwarded to the appropriate department to be opened and a receiving report completed.

*Spending Unit
Response:*

(Partially) College employees are currently researching this finding with other institutions to develop the best method of documenting receiving items and will also request an outside firm to review this finding and make recommendations. The Bookstore employees do complete receiving reports timely for items received in the Bookstore. Items received in the Purchasing area are not opened by Purchasing for various reasons. Purchasing personnel may not be aware of hazardous materials contained in the items and due to the method of purchasing card payments, the Purchasing Office personnel probably is unaware of what items have been ordered by the campus community. There is less likely problems to occur if opened by the office ordering the items. However, College personnel are pursuing the best method to correct this issue.

Finding 18 **Misclassification and Untimely Allocation of Interest Income**

Finding: We noted interest earnings totaling \$740,934.66 that the College received from the WVHEPC for the period of June 2005 through May 2007 were not transferred to the proper accounts timely. Also, these transfers were not properly classified.

Recommendation: We recommended the College deposit interest earnings into the proper account in a timely manner and comply with expenditure schedule instructions.

Spending Unit Action: The College partially complied with our recommendations. The College properly recorded the August 2009 transfer of interest earnings (for the period of June 2008 through May 2009) as revenue source code 523.

However, the College continued to untimely transfer the interest earnings by making transfers only at the end of each fiscal year. Fiscal year 2009 interest transfers totaled \$74,399.88, of which \$13,792.70 were the New River Community and Technical College's interest earnings. Also, the College did not adjust the June 2005 through May 2007 transfers to reflect the proper revenue source code.

*Spending Unit
Response:*

(Partially) College employees corrected the account coding once they were notified of the error. Previous years interest had already been posted and if corrected now would cause the current year totals to be incorrect since in a different fiscal year. Processes have been developed and are being refined to complete the transfers more timely.

Finding 19 **Misclassified Expenditure Transactions**

Finding: The College misclassified administrative fees expenditures for employee health benefits and p-card expenditure.

Recommendation: We recommended the College comply with West Virginia Code and other rules and regulations and implement proper management oversight over the classification and payment of expenditures.

Spending Unit Action: The College complied with our recommendations. The Accounting Department are reviewing and verifying the object codes are accurate.

Spending Unit

Response: *The College has complied with this finding.*

Finding 20**Allocation of Tuition and Fees Revenues to Proper Fund**

Finding:

We were able to determine all tuition and fees tested were deposited into the College's Revenue Clearing Fund – Fund 4361; however, because the College did not timely allocate tuition and fee cash receipts to the proper fund, we were unable to timely determine the tuition and fees were allocated to the proper fund.

Recommendation:

We recommended the College implement the Banner system cash receipt function and record the transaction into the Banner System in a method to determine which fund each revenue collected is to be deposited. Subsequently, the deposit should be made to the proper account on a daily basis, rather than making transfers on an as needed basis.

Spending Unit Action:

The College did not comply with our recommendation. The College has not implemented the cash receipt function in the Banner System and does not make deposits into the proper account on a daily basis. The College continues to deposit all moneys into the Revenue Clearing Fund – Fund 4361, make transfers as needed to cover expenditures and then transfer all remaining moneys in Fund 4361 at the end of each fiscal year to the proper funds. The Accounts Receivable Supervisor informed us the College is in the process of implementing the cash receipt function in the Banner System.

*Spending Unit**Response:*

(No Comply) As indicated in Finding 3, personnel are in the process of implementing the accounts receivable module. The College believes all tuition and fee revenues are processed and posted to the proper fund. All deposits are made daily and improvements have occurred and are continuing.

Finding 21**Financial Aid**

Finding: One student was over-awarded \$3,785.00 of financial aid; we were unable to determine if five students received financial aid totaling \$12,299.00 due them; The College's accounting of financial aid disbursements is complex; if a balance is to the College for tuition and fees, the financial aid checks are kept in the safe until the Business Office staff have time to enter the transaction in the cash register; and fifteen students' financial aid checks totaling \$17,521.00 were not deposited within 24 hours of receipt.

Recommendation: We recommended the College implement proper management oversight over the awarding and issuance of financial aid. Also, we recommended the College discontinue using outside bank accounts to account for financial aid; rather, the College should deposit all financial aid moneys within 24 hours of receipt in the proper fund, apply the payments to the student accounts and issue one refund check to the student.

Spending Unit Action: The College did not comply with our recommendations. The College continues to have a complex accounting of financial aid disbursements due to moneys coming in and out of various local bank accounts, rather than being deposited into a State account and one financial aid check being written to the student. The Accounts Receivable Supervisor told us the financial aid checks are now disbursed in three increments and the cashiers enter the batch of financial aid checks through the register before the next batch of checks are issued. The Accounts Receivable Supervisor stated the College is in the process of implementing an Accounts Receivable module in the Banner System to better serve the College and the students.

*Spending Unit
Response:*

(No Comply) As indicated in Finding 3, personnel are in the process of implementing the accounts receivable module. After a recent review of the students indicated, the Financial Aid and Accounts Receivables personnel believe all of the students cited did receive the aid due them at the original time of disbursement. College personnel have verified the students received their aid; however, the students failed to initial the claim ticket indicating they had received the items.

Finding 22

Late Fee Finding

Finding: During our audit, the College charged a \$30.00 late registration fee, rather than \$50.00 as indicated in the Board of Governors Policy.

Recommendation: We recommended the College comply with Board of Governors Policy No. 7 and assess the correct amount of late fees due to the College for late registrants.

Spending Unit Action: The College complied with our recommendation. The College revised the Board of Governors Policy No. 7, effective October 15, 2009, to require a late fee of **up to** fifty dollars be imposed on all late registrants.

Spending Unit

Response: The College has complied with this finding.

Finding 23 **Untimely Reconciliation of FIMS to Banner**

Finding: The College was not timely reconciling the State accounting system (FIMS) to the internal accounting system (Banner).

Recommendation: We recommended the College comply with West Virginia Code and perform reconciliations between FIMS and Banner transactions in a more timely manner.

Spending Unit Action: The College complied with our recommendations. The College was current as of the month of February 2010 on their monthly reconciliations between FIMS and the Banner system.

Spending Unit

Response: *The College has complied with this finding.*

Finding 24 Unable to Audit Book Vouchers, Gift Certificates, and Coupons Redeemed at Bookstores

Finding: We were unable to audit book vouchers, gift certificates and coupons accepted as payment methods by the College Bookstores because they were not pre-numbered.

Recommendation: We recommended the College pre-number book vouchers and gift certificates and discontinue the issuance of coupons to students. We also recommended the College require the Business Office perform a reconciliation of book vouchers issued to book vouchers redeemed.

Spending Unit Action: The College partially complied with our recommendations. The College pre-numbered gift certificates. The gift certificates and coupons are also embedded with the Bookstore logo, which is applied with an embosser. The embosser is properly secured in the Bookstore safe when not in use. Also, the Accounts Receivable supervisor provided us with documentation to support the reconciliation of book vouchers issued to book vouchers redeemed.

However, the College did not pre-number book vouchers and continues to issue coupons which were pre-numbered manually by the Bookstore Manager.

*Spending Unit
Response:*

(Partially) The College is implementing additional processes to account for coupons issued to students and is evaluating a better process for book vouchers. There is a check and balance system for book vouchers since the billing/paying process of the book vouchers is completed outside of the Bookstore and the Bookstore is notified of payments received to update the new point of sale system.

Finding 25 Student Health Center Inventory of Medications

Finding: The Student Health Center did not keep a perpetual inventory of medicine.

Recommendation: We recommended the College comply with West Virginia Code and maintain accurate perpetual inventory records of medication in the Student Health Center in order to ensure medications are used only for the benefit of the State.

Spending Unit Action: The College did not comply with our recommendations. The Student Health Center does not currently maintain a perpetual inventory of medications. Also, we were told a physical inventory has not been performed on the medicine since Spring of 2009. After informing the Vice President for Financial and Administrative Affairs of the non-compliance with the finding, College personnel created an inventory database for the Student Health Center. We were told that the inventory database will be implemented in Fall 2010.

Spending Unit

Response: (No Comply) Effective with the Fall 2010 semester, a new electronic perpetual inventory system has been developed and personnel have been trained. Currently, the Health Center personnel are almost finished with inputting the inventory. The Director of Financial Systems will be revisiting the Student Health Center on a routine basis to verify medications are properly being accounted for. The Director of Financial Systems, in cooperation with the Health Center Director will also develop a procedure and process to ensure this issue is corrected. Management of the Health Center is also re-evaluating the processes and procedures in place for the operation of the Health Center and may have some changes in the coming months.

Finding 26 **Non-allowable Expenditures from Federal Moneys**

Finding: We noted two non-allowable expenditures were paid from federal moneys.

Recommendation: We recommended the College comply with OMB Circular A-21 and pay only allowable expenses from federal moneys.

Spending Unit Action: The College complied with our recommendations. We tested two expenditure transactions from the Federal Fund and determined the expenditures were allowable per OMB Circular A-21. The Vice President for Student Affairs and Enrollment Management informed us any out-of-state travel has to have prior approval before the travel is taken.

Spending Unit

Response: *The College has complied with this finding.*

Finding 27 **Agreement with Concord Not Approved by Governing Board**

Finding: The College was unable to provide us with documentation to support the Governing Board approved a verbal agreement between the College and Concord University (CU).

Recommendation: We recommended the College and CU work together to comply with West Virginia Code and determine if the verbal agreement is necessary and a cost savings to the state and, if applicable, enter into a written agreement approved by both institutions Governing Boards.

Spending Unit Action: The College complied with our recommendations. The College provided us with the previous contractual agreement dated June 7, 1976, between the College and CU. Further, the College provided a current Memorandum of Understanding dated December 17, 2009, and signed by each President of the Institutions.

*Spending Unit
Response:* *The College has complied with this finding.*

Finding 28**Chartered Bus Services**

Finding: We became aware the College's baseball coach was the President of Team Bus, Inc. used to charter buses for baseball and softball events. The Purchasing Director was not involved in the bidding process; rather, the Athletic Director and the Athletic Secretary were in charge of the bidding process.

Recommendation: We recommended the College comply with the Board of Governors Policy 29 by requiring the Purchasing Director to be in charge of all bidding of purchases.

Spending Unit Action: The College complied with our recommendations. The Purchasing Director has assumed the responsibility of bidding all applicable Athletic Department purchases. Also, the Purchasing Director told us the College has not utilized the services of the Team Bus, Inc. since the release of the post audit report; rather, the department rented vans for Athletic Department travel.

Spending Unit

Response: *The College has complied with this finding.*

Finding 29 **Single Day Travel Meal Reimbursement Not Reported As Taxable Income**

Finding: During our audit period, the College did not report employee meal reimbursement for single day travel as taxable income on the employees' respective W-2.

Recommendation: We recommended the College comply report employee meal reimbursement for single day travel as taxable income on employees' respective W-2. We further recommend the College review the expenditures to determine whether amended W2's or 1099's should be issued.

Spending Unit Action: The College partially complied with our recommendations. As of January 24, 2008, the College discontinued the practice of reimbursing employees for meals for single day travel. The College's Board of Governor's Policy No. 22 was updated to reflect the change in policy.

However, the College did not review the expenditures to determine whether amended W2's or 1099's should have been issued because it was the College's policy to pay single day travel and they did not want grievances.

*Spending Unit
Response:*

(Partially) The College, when notified in 2008 of this issue, immediately suspended processing single day travel reimbursements and changed our policy thereafter. Personnel have not been available to review travel reimbursements made prior to 2008 and the College is concerned of this process because the College and its employees were following the policy in place at the time.

Finding 30

Food Tax

Finding: During our audit period, the College Bookstores were not assessing the applicable food tax rate in accordance with State statute.

Recommendation: We recommended the College continue to comply with West Virginia Code and charge the applicable tax on sales of food.

Spending Unit Action: The College complied with our audit recommendation.

Spending Unit

Response: The College has complied with this finding.

Finding 31**IRS Penalty**

Finding: The College paid interest to the IRS because quarterly taxes were not paid timely.

Recommendation: We recommended the College comply with IRS Publication 15 (Circular E) by paying taxes timely.

Spending Unit Action: The College did not comply with our recommendation. We noted a penalty of \$237.15 was paid to the IRS due to the College filing the June 30, 2009 taxes late and a penalty of \$10.00 was paid to the Virginia Department of Taxation.

Spending Unit

Response: (No Comply) The College believes it has complied with this finding and pays its taxes timely. The State Offices automatically deposit the required taxes to the various agencies when payrolls are processed. The penalty identified in 2010FY of \$237.15 was related to employees being out for personal reasons and a return filed untimely. The \$10 penalty was an oversight of College personnel in processing a Virginia tax report timely. Processes are being developed for all reporting to occur timely.

**BLUEFIELD STATE COLLEGE
FOLLOW-UP OF PREVIOUSLY ISSUED POST AUDIT REPORTS**

Special Report of Bluefield State College's Athletic Department Cash Receipts and Disbursements to/from Bluefield State College Foundation Account for the period of July 1, 2005 – June 30, 2007 (Released February 9, 2009)

Finding 1 Foundation Athletic Account Deposits

Finding: The Foundation was unable to provide us with source documentation to support four deposits, totaling \$16,234.50, for our review. We determined two deposits reviewed, totaling \$2,848.32, were College moneys which should have been deposited into College accounts. Also, during our field work, we became aware that the College's baseball coach violated the West Virginia Governmental Ethics Act by "encouraging" each baseball player to pay \$500.00 towards the annual "spring break trip" travel expenditures.

Recommendation: We recommended, in accordance with State statute, all moneys collected for athletic contests should be deposited into the College's Auxiliary Fund. Also, we recommend the College comply with West Virginia Code and the legal opinion of the West Virginia Ethics Commission and discontinue the practice of either encouraging or requiring baseball student-athletes to raise or contribute funding to finance the baseball team's spring break trip.

Spending Unit Action: The College partially complied with our recommendations. All Athletic Department cash collections, including money collected from concession sales, ticket sales, and tournament guarantees are deposited to the College's Auxiliary Fund. The Director of Institutional Advancement and Planning told us only moneys from donations and fundraisers are deposited to the Foundation. She also provided us with Foundation procedures which state checks payable to the College must be delivered to the College's Business Office.

However, we were provided with a Fund Raising Activities Form dated January 4, 2010, that indicated the baseball team would "...solicit sponsors and general donations...to supplement travel and equipment budgets for baseball...January, 2010 Through April, 2010". WV Code §6B-2-5 subsection c1, states in part, "...public employee may not solicit any gift unless the solicitation is for charitable purposes..."

***Spending Unit
Response:***

(Partially) The Foundation believes this finding has been complied with. Budget supplements may be considered charitable purposes because the donors do not receive any good or service in exchange for the contribution. Such funds are received by the Foundation as temporarily restricted gifts and used for the purposes indicated, thus qualifying them as tax deductible. The College will request the independent accounting firm to review this finding and make any needed recommendations related to this once the report is officially released.

Finding 2**Foundation Athletic Account Expenditures**

Finding:

There was no procedure in place to ensure that Athletic Department travel expenditures paid from College State funds were not also paid from the Foundation athletic account. We noted four disbursements from the Foundation Big Blue Fund, totaling \$1,280.00 may have been used for other purposes, including personal gain. Also, we noted 52 disbursements from the Foundation Big Blue Fund, totaling \$48,964.98 [of which \$41,011.00 was issued directly to an Athletic employee], lacked receipts to support whether moneys were used for authorized State expenditures.

Recommendation:

We recommended the College and the Foundation enhance their internal controls over moneys disbursed for athletic team travel. Also, we recommended the College keep documentation to support purchases are for authorized State expenditures in accordance with West Virginia Code.

Further, we recommend the WVHEPC ensure all State Colleges and Universities have internal controls in place to prevent expenditures being paid from both State and Foundation accounts.

Spending Unit Action:

The College complied with our recommendation. Foundation personnel informed us copies of documentation for travel, including receipts, to support payments from the Foundation funds for anything related to the College are forwarded to the College's Vice President for Financial and Administrative Affairs. The Vice President for Financial and Administrative Affairs told us she reviews the documentation to determine that a duplicate payment is not made from College funds.

*Spending Unit**Response:*

The College has complied with this finding.

Finding 3 **Misstatement of Financial Statements**

Finding: Deposits to the Foundation’s Big Blue Fund that should have been deposited into State accounts and the subsequent expenditures of these revenues were not reported on the College’s annual financial statements.

Recommendation: We recommended the College obtain the assistance of the Foundation and determine the amount of State moneys inappropriately deposited into the Foundation Big Blue Fund and the purpose for the respective disbursement of such moneys. In addition, we recommended the College inform financial auditors of the misstatement of financial statements and take the appropriate corrective action to ensure previously issued and current financial statements are properly stated. Further, we recommended the College seek reimbursement of any unexpended funds that should have been deposited to College accounts from the Foundation.

Spending Unit Action: The College complied with our recommendations. The Vice President for Financial and Administrative Affairs told us the College and the Foundation attempted but were unable to determine [due to lack of documentation] the amount of College moneys that were inaccurately deposited to the Foundation accounts. Further, the College informed financial auditors of the misstatement of financial statements.

*Spending Unit
Response:*

The College has complied with this finding.

Finding 4 **BSC and Foundation Not Viewed as Separate Entities**

Finding: During our field work, it became apparent the Foundation and the College were not being operated as separate entities. Rather, we noted the entities are operating in one capacity.

Recommendation: We recommended the College and the Foundation operate as separate entities with clearly defined and disconnected missions and financial accounts.

Spending Unit Action: The College partially complied with our recommendations. All Athletic Department cash collections, including money collected from concession sales, ticket sales, and tournament guarantees are deposited to the College's Auxiliary Fund. The Director of Institutional Advancement and Planning told us only moneys from donations and fundraisers are deposited to the Foundation. Also, the Foundation funds no longer reflect any information on behalf of the College.

However, the Director of Institutional Advancement and Planning continues to serve as the Foundation's Executive Director and solicits donations on behalf of the College and the Foundation. Also, the Director of Institutional Advancement and Planning told us that the Vice President for Financial and Administrative Affairs has signature authority over Foundation accounts when the she is not available.

*Spending Unit
Response:*

(Partially) The College and the Foundation are separate entities with completely separate governance structures. No College employee is a voting member on the Foundation Board. The Director of Institutional Advancement and Planning is a college employee through a grant of the College which is one of the activities allowed in the grant. The Foundation does pay a small portion of this employee's salary; however, the Foundation does not have the funds available to totally support this position. Should the Foundation pay the salary in total, then much less funds would be available for student scholarships. Signature authority by College employees (other than the Director of Institutional Advancement and Planning) over Foundation funds is very limited as access to the Foundation accounts is limited and only in rare circumstances does an employee of the College authorize payment from Foundation funds.

**BLUEFIELD STATE COLLEGE
FOLLOW-UP OF PREVIOUSLY ISSUED POST AUDIT REPORTS**

Special Report of Bluefield State College Athletic Department Receipts and Disbursements for the period of July 1, 2005 – June 30, 2007 (Released August 25, 2008)

Finding 1 Cash Receipts

Finding: We noted some Athletic Department cash collections were deposited to the Bluefield State College Foundation, rather than to the proper State account. However, due to lack of documentation we were unable to determine the amount of collections that were not deposited into College accounts as required by statute.

Recommendation: We recommended the College comply with West Virginia Code and strengthen management oversight over the Athletic Department cash collections and deposits and comply with our various internal control recommendations. Further, we recommend the College determine the amount of moneys given to the Foundation and seek reimbursement from the Foundation for the State moneys.

Spending Unit Action: The College complied with our recommendations. The Athletic Director stated all moneys collected for ticket sales, tournament guarantees and concession proceeds are deposited to the College's Auxiliary and Auxiliary Capital Fees Fund (4372) in accordance with State statute. Also, he provided us documentation to support moneys are deposited to the Business Office within 24 hours of receipt, along with original supporting documentation. The Business Office reconciles the documentation to the moneys and provides the Athletic Department with a signed receipt for their records. He further stated only funds raised or donated are deposited to the Foundation. Additionally, a \$200.00 imprest fund was established for the Athletic Department and approved by the State Treasurer's Office. The Vice President for Financial and Administrative Affairs told us the College and the Foundation attempted but was unable to determine which deposits were made in error to the Foundation accounts.

*Spending Unit
Response:*

The College has complied with this finding.

Finding 2 Cash Advances

Finding: We noted critical internal control weaknesses over the issuing and settlement of cash advances. In July 2007, the College discontinued issuing cash advances to the Athletic Department, and issued Athletic Department employees United Bank Travel Cards to use for travel expenses. However, the College continued to have internal control weaknesses over the Athletic Department travel expenditures.

Recommendation: We recommended the College comply with West Virginia Code and other policies and procedures by keeping adequate supporting documentation for travel expenditures made from both cash advances and the United Bank Travel Cards, including documenting who made the purchases and for what event the purchases relate.

Spending Unit Action: The College complied with our recommendations. Athletic cash advances were stopped in approximately February 2007 and the Athletic Department currently utilizes the United Bank Travel Card for athletic expenditures. The Administrative Assistant told us the coaches currently are required to complete a travel expense settlement form detailing the purchases and for what event the purchases relate which must be turned in by the 10th of each month. Itemized receipts must also accompany the travel expense settlement form.

Additional Audit Work: During our previous post audit of Bluefield State College, we became aware the Athletic Director had a checking account in his name reflecting the College's address where cash advance moneys from State funds were deposited. However, at the time of our previous post audit he was unable to locate the bank statements and supporting documentation (i.e., copies of checks and deposit slips) to support the deposits and expenditures from this personal bank account with the College's address.

During the follow-up of previous issued post audit reports, we once again requested the bank statements and supporting documentation. The Athletic Director provided us with bank statements for our audit period, but did not provide us with supporting documentation (i.e., copies of checks and deposit slips) for deposits and expenditures totaling \$32,972.00 and \$32,664.79, respectively. Deposits and expenditures to/from this outside bank account for the audit period of July 1, 2005 through June 30, 2007 totaled \$143,618.04 and \$144,480.76, respectively.

We reviewed the supporting documentation provided to us and noted 15 instances totaling \$21,925.00 where cash was received from the deposit. The Athletic Director was unable to provide us with documentation to support what this cash was used for. Additionally, using professional judgment we selected 44 expenditures totaling \$16,596.50 from the outside bank account [for which we were provided copies of the checks] for testing. The Athletic Director was unable to provide us sufficient documentation (i.e., travel expense account settlement forms, receipts, etc.) to support 36 of the transactions tested, totaling \$14,611.50. Of the eight transactions that we were provided sufficient

supporting documentation for, we noted one transaction was not proper. We noted a game worker was paid \$70.00 from the checking account, rather than being processed through the payroll.

Additionally, the Athletic Director provided us with documentation for seven additional transactions which did not substantiate the expenditures. Specifically, the amount of the check did not match the amount of the cash advance on the travel expense account settlement form.

Spending Unit

Response:

The College has complied with this finding.

Finding 3**Alteration of Documentation**

Finding: The Athletic Director and the Athletic Secretary admitted to altering the original documentation supporting the 2007-2008 season home basketball games cash receipts after our February 25, 2008 cash count.

Recommendation: We recommended the College require all moneys be deposited to the Business Office within 24 hours of receipt, along with the game receipt forms. We also recommended a Cashier of the Business Office reconcile the moneys to the forms and affix his or her signature to the form upon verifying the moneys. Also, a copy of the approved form should be given to the Athletic Department to support the deposit and the original documentation should be retained by the College Business Office in order to comply with West Virginia Code. Further, in no instances should documentation be altered subsequent to the preparation of the documents.

Spending Unit Action: The College complied with our recommendations. The Athletic Director provided us with documentation to support that cash collections are deposited to the Business Office within 24 hours of receipt or the next business day [for games on holidays or weekends]. The Business Office Cashier reconciles the moneys to the game receipt forms and affixes his or her signature to the form upon verifying the moneys. A copy of the approved game receipts form and a receipt is given to the Athletic Department to retain for their records and the original documentation is retained by the Business Office. The Business Office gives the Athletic Department a receipt showing the deposit of the funds.

*Spending Unit**Response:*

The College has complied with this finding.

Finding 4**United Bank Travel Card**

Finding: Even though the United Bank travel cards were issued in the name of the Athletic Department employees, the College directly paid United Bank for charges rather than requiring the employees to pay for the charges on the cards and seek reimbursement.

Recommendation: We recommended the College discontinue paying employee's travel cards. Also, we recommended all employees submit a Travel Expense Account Settlement form to the College for reimbursement of travel expenses and, in turn, the employee should use the travel expense reimbursement to pay their own travel card billings.

Spending Unit Action: The College did not comply with our recommendations. The College continues to pay some employee's travel cards rather than the individual paying their own bill and seeking reimbursement from the College. College personnel informed us, along with the travel card billing, the Athletic employees submit a travel expense account settlement form with supporting documentation.

*Spending Unit
Response:*

(No Comply) The United Bank Travel Card was established for use as athletic team travel card in the name of the College and the coach, in lieu of cash advances. Each month, the coach completes a travel form with required receipts and documentation for expenses incurred on the travel card. This documentation is audited by College personnel along with personnel in the State Auditor's Office. The rules of the NCAA prohibit an employee of athletics from using their personal funds to cover athletic expenses. In this instance, team travel (including the athlete's costs) are paid by the travel card issued to the specific coach. After consultation with several individuals, the College believes this is the most accountable and most efficient way to pay for team travel.

Finding 5 Payments to Game Officials

Finding: The College did not keep track of the payments to game officials and, therefore, did not report payments of \$600 or greater per calendar year to the Social Security Administration on a Form-1096 and the game official on a Form-1099.

Recommendation: We recommended the College report annual payments to individuals, partnerships or estates totaling \$600 or more to the Social Security Administration and to individual, partnership or estate. Further, for payments to game officials during our audit period, we recommended the College determine what game officials were paid \$600 or greater during a calendar year and retroactively issue a 1099-MISC, as needed.

Spending Unit Action: The College complied with our recommendations. The Athletic Director informed us the WVIAC assumed the responsibility of paying all the game officials and reporting payments of \$600 or greater per calendar year to the Social Security Administration on a Form-1096 and the game official on a Form-1099. The Accounts Receivable Supervisor told us that the College determined that no game officials were paid \$600.00 or greater during calendar years that fell under our audit period.

Spending Unit

Response: The College has complied with this finding.

Finding 6**Unauthorized and Undocumented Expenditures**

Finding:

During our test of Athletic Department cash disbursements, we noted purchases which did not have adequate documentation to allow us to determine for whom or for what purpose the purchases were made and, as a consequence, if the purchases were statutorily authorized. Further, during the testing of Athletic Cash Advances, we noted the College paid for meals and lodging for games not reflected on game schedules provided to us by spending unit personnel.

Recommendation:

We recommended the College comply with West Virginia Code and other rules and regulations and implement a procedure requiring proper management oversight of purchases; all purchases be properly documented; and requiring student athletes to sign a receipt form when they receive meals or clothing funded by State moneys.

Spending Unit Action:

The College complied with our recommendations. The Athletic Director stated purchase orders are completed for athletic purchases, with the exception of purchases made on the State purchasing card. The student athletes currently sign receipt forms for both meals received and any clothing purchased by the College.

*Spending Unit**Response:*

The College has complied with this finding.

Finding 7

Athletic Tuition Waivers

Finding: We were unable to audit athletic tuition waivers granted to student athletes during our audit period due to a lack of supporting documentation.

Recommendation: We recommended the College keep original documentation to support financial aid disbursed to students in accordance with West Virginia Code and other applicable rules and regulations.

Spending Unit Action: The College complied with our recommendations. Original documentation, including Scholarship Applications, Award [Acceptance] Letters; and NCAA Squad Listings are kept by the College.

Spending Unit

Response: The College has complied with this finding.

Finding 8**Invoices Not Timely Processed for Payment**

Finding:

We noted the College untimely processed transactions tested in non-compliance with the Prompt Pay Act. Two of these transactions tested did not have a receiving report prepared within 24 hours of receiving commodities—one of which was completed and signed by an employee that did not receive the commodities.

Recommendation:

We recommended the College comply with West Virginia Code and other applicable rules and regulations and ensure the Athletic Department remit the proper supporting documentation necessary for invoices to be processed for payment in accordance with the Prompt Pay Act. Further, we recommend the College designate employees to receive commodities and that those employees are responsible for timely completion of the receiving reports.

Spending Unit Action:

The College did not comply with our recommendation. The College has not designated employees to receive commodities. Also, the Purchasing Department continues to receive items, but does not open all packages; rather, the Purchasing Department forwards the packages to the proper department to be opened and to prepare a receiving report.

*Spending Unit**Response:*

(No Comply) Accounting personnel process invoices timely upon receipt from various campus departments. The College will review the employees authorized to receive merchandise and will update this list. As indicated in Finding 17, the College will pursue a solution to this issue based upon recommendations by an outside entity.

Finding 9 Lack of Proper Supporting Documentation

Finding: Athletic Department cash disbursement transactions lacked proper supporting documentation. Also, we noted a duplicate p-card disbursement transaction.

Recommendation: We recommended the College comply with West Virginia Code and other rules and regulations and ensure proper documentation supports every cash disbursement, including purchasing card transactions.

Spending Unit Action: The College complied with our recommendations. We reviewed Athletic Department cash disbursement transactions and determined they were properly supported with itemized receipts; meal sheets; and equipment certification sheets; etc.

Spending Unit

Response: The College has complied with this finding.

Finding 10**Game Workers' Payroll**

Finding:

The College does not have an internal policy governing game workers' payroll, or a policy governing invoicing entities for recovery of expenses and rental fees. Also, the College improperly paid game workers' and did not generate documentation to support the amount invoiced to an entity for reimbursement of game workers' payroll and rental fees.

Recommendation:

We recommended the College comply with West Virginia Code and other applicable rules and regulations and establish internal policies and implement proper management oversight to govern the game workers' payroll and the invoicing of reimbursements and rental fees to outside entities. Also, employment paperwork should be completed by game workers prior to working a game.

Spending Unit Action:

The College partially complied with our recommendations. We reviewed the January and February 2010 game workers' payroll transactions for Men's and Women's Basketball and determined game workers were properly paid. Also, we reviewed a sample of five game workers and determined employment paperwork was completed prior to the game workers working a game. Additionally, the Athletic Director provided us with documentation to support the amount invoiced to an entity for reimbursement of game workers' payroll and rental fees and the respective deposit of the moneys to the Business Office. He also provided us with copies of the checks received, and the respective deposit of the moneys to the Business Office, in relation to the 2009 basketball camp which was hosted by the College.

However, the College did not establish internal policies to govern the game workers' payroll.

*Spending Unit
Response:*

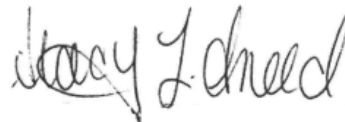
(Partially) The College will review the processes for processing game workers' payrolls and implement procedures to improve the internal controls in this area.

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, CICA, 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 12th day of October 2010.



Stacy L. Sneed, CPA, CICA, 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 Bluefield State College, Higher Education Policy Commission; Governor; Attorney General; and State Auditor.