

LEGISLATIVE AUDIT REPORT

West Virginia State Treasurer's Office Security Count as of September 20, 2012

Report Summary

- Securities Examined
- No instances of non compliance



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POST AUDIT DIVISION



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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The Joint Committee on Government and Finance:

In compliance with the provisions of W.Va. Code §12-5-3, we have examined and listed all of the securities in the custody of the State Treasurer as of September 20, 2012. A copy of this list shall be transmitted to the State Treasurer and the Department of Administration in accordance with the above statute.

Respectfully submitted,

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

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

**SECURITIES HELD BY THE STATE TREASURER
AS OF SEPTEMBER 20, 2012**

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**SECURITIES HELD BY THE STATE TREASURER
AS OF SEPTEMBER 20, 2012**

EXECUTIVE SUMMARY

Finding 1 WVSTO in compliance with WV Code

During our examination of the securities in custody of the State Treasurer, we found no instances of noncompliance. We conclude the State Treasurer's Office is in compliance with §12-5-4 of the West Virginia Code.

Auditor's Recommendation

We recommend that the Treasurer's Office continue to comply with §12-5-4 of the West Virginia Code and maintain an accurate account of all securities held in the custody of the State Treasurer.

Spending Unit's Response

The State Treasurer's Office will continue to comply with West Virginia Code §12-5-4.

**SECURITIES HELD BY THE STATE TREASURER
AS OF SEPTEMBER 20, 2012**

INTRODUCTION

POST AUDIT AUTHORITY

This is a special report on the securities located inside the vault of the State Treasurer's Office. This special report was conducted pursuant to W.Va. Code §12-5-3, which states,

“Before the first day of July, two thousand one and at least every two fiscal years thereafter, the Legislative Auditor shall examine and list all of the securities in the custody of the State Treasurer. A copy of the list so examined and certified shall be transmitted to the State Treasurer and the Department of Administration.”

BACKGROUND

W.Va. Code §12-5-1 defines a security as,

“The term securities when used in this article shall include all bonds, securities, debentures, notes or other evidences of indebtedness, and for purposes of this chapter all cash received by any state spending unit intended to serve as security for a legal obligation, whether pursuant to court order or otherwise.”

Further, W.Va. Code §12-5-2(a) sets forth the Treasurer's duties which states,

“The Treasurer of this state, unless otherwise expressly provided by law, shall be custodian of all securities required by law to be deposited with the state or held in legal custody by the state, and all departments of this state, commissioners or agents of the state, who hold any such securities, shall transfer and deliver the same to the State Treasurer to be kept and held by him as legal custodian thereof until released in the manner provided by law:”

The duty of the Treasurer to maintain an accurate accounting of all securities is provided for in W.Va. Code §12-5-4 which states,

“It shall be the duty of the Treasurer to keep an accurate account of all securities received by him or her and collect and account for the interest as it becomes due and payable and the principal whenever it is due.”

Responsibility for maintaining security over noncash securities is provided for in W.Va. Code §12-5-5(a) which states,

“The noncash securities retained in the treasury shall be kept in a vault. The Treasurer shall use due diligence in protecting the securities against loss from any cause. The Treasurer shall designate certain employees to take special care of the securities. Only the Treasurer and the designated employees may have access to the securities, and at least two of these persons shall be present whenever the securities are handled in any manner. The Treasurer may contract with one or more banking institutions in or outside the state for the custody, safekeeping and management of securities. The contract shall prescribe the rules for the handling and protection of the securities.”

Finally, the authority for the establishment of the Treasurer’s Safekeeping Fund is provided for in W.Va. Code §12-5-5(b) which states,

“The Treasurer's Safekeeping Fund is established in the state treasury. The Treasurer shall deposit moneys received pursuant to this article in the Treasurer's Safekeeping Fund. The Treasurer is authorized to invest the money in accordance with this code and the restrictions placed on the money, with earnings accruing to the moneys in the fund. The Treasurer shall prescribe the forms and procedures for processing the moneys.”

**SECURITIES HELD BY THE STATE TREASURER
AS OF SEPTEMBER 20, 2012**

ADMINISTRATIVE OFFICERS AND STAFF

John Perdue State Treasurer

Danny Ellis Assistant State Treasurer

Misty Price Deputy State Treasurer for Cash Management

Michelle Painter Director of EFT and Financial Services

Carolyn Bellamy Safekeeping Manager

Caroline Chamness..... Safekeeping Specialist

Kevin Brown, CPA.....Accountant

**SECURITIES HELD BY THE STATE TREASURER
AS OF SEPTEMBER 20, 2012**

REPORT SCOPE

We have reviewed all securities listed on the State Treasurer's Office Safekeeping inventory as of September 20, 2012.

EXIT CONFERENCE

We sent a draft of this report to the management of the State Treasurer's Office on January 23, 2013. Since we found no instances of non-compliance, we decided to leave the decision to conduct an exit conference with the agency. On February 6, 2013, we received a letter from the agency stating that an exit conference was not necessary. Management from the agency also received a written copy of findings deemed inconsequential to the operations of the agency, and was not included in the report. Management's responses have been included in the Executive Summary and Findings sections of the report.

**SECURITIES HELD BY THE STATE TREASURER
AS OF SEPTEMBER 20, 2012**

FINDINGS

The Objective

Our objectives throughout the special report was to ensure compliance with W.Va. Code §12-5-4 and examine and list all of the securities in the custody of the State Treasurer.

Relevant laws, policies, or agreements

W.Va. Code §12-5-4 states in part,

“It shall be the duty of the Treasurer to keep an accurate account
of all securities received by him ...”

Scope and methodologies to meet our objective

Our examination included the securities on deposit with the State Treasurer and duly executed receipts for securities held in escrow by custodial banks for the State Treasurer. We obtained an inventory report of securities held by the State Treasurer on September 20, 2012. We performed a physical inventory count of all non-cash securities located in the State Treasurer’s vault, determined amounts of cash on deposit in State accounts, as well as obtained confirmation of securities held in escrow with Citigroup and reconciled our count to the inventory report. Letters of confirmation were sent to State agencies remitting securities for safekeeping by the State Treasurer’s Office and any differences were reconciled.

Finding 1

WVSTO in compliance with WV Code

During our examination of the securities in custody of the State Treasurer, we found no instances of noncompliance. We conclude the State Treasurer's Office is in compliance with §12-5-4 of the West Virginia Code.

Auditor's Recommendation

We recommend that the Treasurer's Office continue to comply with §12-5-4 of the West Virginia Code and maintain an accurate account of all securities held in the custody of the State Treasurer.

Spending Unit's Response

The State Treasurer's Office will continue to comply with West Virginia Code §12-5-4.

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 W.Va. Code §4-2 and §12-5-3, and that the same is a true and correct copy of said report.

Given under my hand this 8th day of February 2013.



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. Copy forwarded to the West Virginia State Treasurer's Office