

# LEGISLATIVE POST AUDIT REPORT

## SAM PERDUE JUVENILE CENTER

For the Period: July 1, 2010 - June 30, 2011

### AUDIT SUMMARY

- Video Conferencing Informational Finding
- Lack of Internal Controls
- SPJC Lack of Proper Inventory Control
- Improper Overtime Pay
- Rent, Maintenance, and Repairs
- SPJC Expenditures
- SPJC Lack of Routine Payments via P-Card
- Unable to Audit Meal Ticket Receipts



### WEST VIRGINIA LEGISLATIVE AUDITOR 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 the WV Code, §4-2, as amended, we have conducted an audit of the Sam Perdue Juvenile Center (SPJC) for the period of July 1, 2010 through June 30, 2011. This report is limited to SPJC's activities related to expenditures made from SPJC accounts in fiscal year 2011 and to revenue collections and deposits made in SPJC accounts.

We have conducted our audit in accordance with Generally Accepted Government Auditing Standards (GAGAS 2007). Our audit disclosed certain findings, which are detailed in this report. Findings deemed inconsequential to the financial operations of the agency were discussed with management. Included in this report are SPJC's responses to our audit findings.

Respectfully submitted,

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

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

SLS/hcw

**SAM PERDUE JUVENILE CENTER  
JULY 1, 2010 – JUNE 30, 2011**

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**SAM PERDUE JUVENILE CENTER**  
**JULY 1, 2010 – JUNE 30, 2011**

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**EXECUTIVE SUMMARY**

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**Finding 1: Video Conferencing Informational Finding**

We estimated, for FY 2013, the SPJC could have saved as much as \$39,000 in fuel and wages if allowed by the court system to use available video conferencing equipment. The savings could have been as much as \$302,000 for all DJS facilities.

**Auditor's Recommendation**

We recommend DJS and the respective juvenile centers continue to work with the courts and judges to allow and utilize video conferencing to replace and eliminate a majority of physical transports to court hearings. We further recommend that judges and courts in each county be equipped with video conferencing capabilities and allow juvenile centers to utilize video conferencing to meet court requirements.

**Finding 2: Lack of Internal Controls**

During our fieldwork at SPJC and through correspondence with the DJS Central Office we noted instances of a lack of segregation of duties in the following areas: Payroll, Sick and Annual Leave, Purchasing, Inventory, Receiving, Kitchen Inventory, and Payments Received.

In addition to the aforementioned internal control weaknesses, no secondary controls are in place to offset the weaknesses. Due to many of the weaknesses stemming from management, a control such as management oversight is not a sufficient secondary control.

Further, we noted a lack of internal controls with certain practices used in regards to purchasing cards.

**Auditor's Recommendation**

We recommend SPJC and DJS comply with WV Code §5A-8-9 and West Virginia DJS Policy 117.00 and create and implement proper internal controls, including segregation of duties, as well as document the controls which are implemented. We also recommend duties be performed by individuals other than management so secondary controls such as management oversight can be relied upon. We further recommend DJS comply with West Virginia State Auditor's Office Purchasing Card Policies and Procedures Section 2.5, supported by Legislative Rule 148-7, and develop and implement internal controls such as segregation of duties over purchasing card purchases.

**Finding 3:****SPJC Lack of Proper Inventory Control**

During testing of inventory, we noted a lack of proper inventory control.

- The inventory records maintained by SPJC and the Central Office of the DJS did not contain enough detailed information to ensure accurate recordkeeping of inventory.
  - The room location and department for each item was not noted in the inventory records.
  - The purchase information, such as acquisition date and original cost, was not consistently recorded.
- The inventory records were not updated to reflect the addition of new purchases and the deletion of surplus items.
- The population consisted of 286 items. Twelve of 35 (34%) inventory items tested could not be traced to their physical locations. The 12 items were on the current inventory records indicating the items were currently in use; however, we were not able to locate the items at SPJC. SPJC staff provided Surplus Property Retirement Forms for five items we could not locate and a handwritten note referring to the surplus of one of the items we could not locate which had occurred before the time of the hiring of the current SPJC Office Assistants. The remaining six items were not found to have been surplus and no other information was provided.

**Auditor's Recommendation**

We recommend SPJC comply with WV Code §5A-8-9 and §5A-3-35, and West Virginia Division of Juvenile Services Policy Number 121.02 by properly recording the addition and disposal of inventory items at SPJC in a timely manner as well as listing a detailed location for each inventory item. Additionally, we recommend SPJC ensure each inventory item which meets the established criteria is assigned an asset tag. Lastly, we recommend the DJS Central Office cease the completion of duplicate Surplus Property Forms once the original forms are received from SPJC Office Assistants, and, instead use the original form to complete the surplus disposition process.

**Finding 4:****Improper Overtime Pay**

During our test of proper pay and overtime at SPJC we noted 12 instances in which employees worked overtime during the pay period tested. Of these 12 instances, 7 (58%) of the instances were miscalculated or noncompliant with applicable laws and regulations.

**Auditor's Recommendation**

We recommend SPJC and DJS comply with Section 209 of Title 29, Part 778 of the Code of Federal Regulations and include annual increment in the computation of employees' overtime rate. Furthermore, we recommend SPJC

and DJS comply with WVDJS Policy 141 and maintain documentation authorizing overtime being worked.

**Finding 5: Rent, Maintenance, and Repairs**

We noted various exceptions in 14 of 16 (88%) expenditures for rent, maintenance, and repairs transactions tested. The rent, maintenance, and repairs population consisted of 41 transactions totaling \$15,733.

**Auditor's Recommendation**

We recommend SPJC comply with WV Code §5A-8-9 and DJS Number 117.00 to ensure adequate record keeping is occurring and accounts payable functions are performed on an accurate and timely basis. We also recommend SPJC/DJS request of the Regional Jail Authority to update the language contained within the current contract when the contract is renewed.

**Finding 6: SPJC Expenditures**

During our test of expenditures, including p-card expenditures, we noted:

- Nine instances, totaling approximately \$3,520 in which we were unable to determine if transactions were properly authorized.
- Four out of 35 p-card transactions, totaling approximately \$2,240, in which transactions were not properly authorized.
- Five out of 35 p-card transactions, totaling approximately \$1,226, where the monthly log sheets of the cardholders' purchases were not signed by the Assistant Director of Budget and Finance.

**Auditor's Recommendation**

We recommend SPJC and DJS comply with WV Code §5A-8-9 and maintain records to support all purchases and transactions. Additionally, we recommend SPJC and DJS comply with Legislative Rule 148-7, and West Virginia State Auditor's Office Purchasing Card Policies and Procedures Section 1.3. We also recommend SPJC and DJS comply with policies created by the agency and obtain the proper authorization before a purchase is made and complete and sign log sheets in a timely manner.

**Finding 7: SPJC Lack of Routine Payments via P-Card**

We noted SPJC was not utilizing purchasing cards to make regular routine payments totaling \$68,617. Upon reviewing the total population of telecommunications and utilities expenditures, we noted 100% (56 out of 56) of telecommunications transactions totaling \$19,592 and 95% (58 out of 61) of utilities transactions totaling \$46,786 were not paid utilizing a purchasing card.

Additionally, during our test of combined expenditures<sup>1</sup>, we noted 23 instances out of 47 regular and routine payments totaling \$2,239, in which a purchasing card could have been used.

**Auditor's Recommendation**

We recommend SPJC and DJS comply with WV Code §12-3-10a and 10c and utilize purchasing cards to make payments for regular and routine expenditures. We further recommend SPJC adhere to WV Division of Juvenile Services Policy Number 124.00 and forward all eligible utility bills to the P-card Coordinator for payment.

**Finding 8: Unable to Audit Meal Ticket Receipts**

We were unable to audit receipts from the sale of meal tickets at SPJC due to the lack of detailed recordkeeping.

**Auditor's Recommendation**

We recommend SPJC comply with WV Code §5A-8-9, WV Code §12-2-2, and West Virginia Division of Juvenile Services Policy Number 117.00 and maintain an itemized daily log for adequate recordkeeping of the sale of meal tickets. Further, we recommend SPJC perform a monthly written reconciliation of monies collected from the sale of meal tickets and confirm the records match the Child Nutrition Daily Record report prepared by the SPJC kitchen staff. The agency informed us they have already implemented our recommendations.

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<sup>1</sup> Test of Combined Expenditures included transactions for Contractual and Professional, General Expenses, Resident Supplies and Expenses, and Travel and Training.

**SAM PERDUE JUVENILE CENTER**  
**JULY 1, 2010 – JUNE 30, 2011**

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**INTRODUCTION**

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**POST AUDIT AUTHORITY**

This is the report on the post audit of the Sam Perdue Juvenile Center (SPJC) for the period of July 1, 2010 through June 30, 2011. The audit was conducted pursuant to §4-2, as amended, of the WV Code, which requires the Legislative Auditor to “make post audits of the revenues and funds of the spending units of the state government, at least once every two years, if practicable, to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit, to ascertain facts and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the State and of the organization and functions of the State and its spending units.”

**BACKGROUND<sup>2</sup>**

The Sam Perdue Juvenile Center (formally Southern Regional Juvenile Center) is located in Princeton, West Virginia. It is a 26 bed facility opened in 2007.

The Sam Perdue Juvenile Center is a hardware detention center that houses underage male and female residents who are in the custody of the West Virginia Division of Juvenile Services (WVDJS). Under WV Code §49-1-4-(J)-(13) ““Secure facility” means any public or private residential facility which includes construction fixtures designed to physically restrict the movements and activities of juveniles or other individuals held in lawful custody in such facility; ...” The mission of the detention center is to ensure safe, secure facilities with sufficient space for pre-dispositional youth, with quality services and progressive programming to achieve positive outcomes for detention residents. A hardware detention center is a facility for juveniles who have been charged with committing a crime that would be punishable by incarceration if committed by an adult. The center provides educational services, counseling services, recreational activities, and other services that are intended to rehabilitate them while they are housed in the facility. The center provides meals that are monitored by Child Nutrition regulations and the residents can acquire their GED if housed for a long period of time. The center also provides additional treatment opportunities to the residents after their release if they so choose to participate.

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<sup>2</sup> Background obtained from the WVDJS website and information provided by SPJC personnel.

**SAM PERDUE JUVENILE CENTER  
JULY 1, 2010 – JUNE 30, 2011**

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**SPENDING UNIT CONTACTS**

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**Sam Perdue Juvenile Center**

Gary Patton ..... Facility Director  
Daniel Egnor ..... (Former) Facility Director  
Timothy Meadows, Sgt ..... Chief of Security  
Nolan Dempsey ..... Case Manager  
Lisa McGraw ..... Office Assistant II  
Jason Frasher ..... Office Assistant II

**West Virginia Division of Juvenile Services**

Joseph C. Thornton ..... Cabinet Secretary, WV Dept. of Military Affairs and Public Safety  
Dale Humphreys ..... (Former) Director of Division of Juvenile Services  
Stephanie Bond ..... (Acting) Director of Division of Juvenile Services  
Denny Dodson ..... Deputy Director of Division of Juvenile Services  
Sandra Woods ..... Assistant Director of Budget and Finance  
Sheila Dolin ..... Services Manager I/Accountant  
Randy McCormick ..... Benefits Coordinator  
Sharon Hayes ..... Director of Human Resources  
Darlene Hovatter ..... Procurement Officer  
Bruce Blackhurst ..... (Former) Assistant Director of Budget and Finance  
Brenda Hoylman ..... Paralegal  
Rick Bostic ..... (Former) Procurement Officer

**SAM PERDUE JUVENILE CENTER**  
**JULY 1, 2010 – JUNE 30, 2011**

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**AUDIT SCOPE**

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We have audited SPJC for the period July 1, 2010 through June 30, 2011. Our audit scope included an audit of the revenues and expenditures of SPJC for compliance with applicable WV Code, WV purchasing regulations, State rules, and West Virginia Division of Juvenile Services (WVDJS) policies for fiscal year 2011. In addition, we assessed the effectiveness of internal controls we deemed significant within the context of the audit objectives.

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**OBJECTIVES AND METHODOLOGIES**

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The objectives of our post audit were to audit the revenues and expenditures of SPJC for fiscal year 2011 in order to provide reasonable assurance transactions were conducted in accordance with applicable WV Code, State rules, WV purchasing regulations, and WV Division of Juvenile Services policies. We were to report any misapplication of state funds or erroneous, extravagant, or unlawful expenditures, ascertain facts, and make recommendations to the Legislature regarding post audit findings. Furthermore, we were to determine whether revenues and expenditures were related to SPJC functions, were reasonable, and were properly recorded in the accounting system. Additionally, we were to assess the effectiveness of internal controls we deemed significant within the context of the audit objectives and report any issues.

We conducted this post audit, which is a performance audit, in accordance with the standards applicable to performance audits contained in GAGAS (2007). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about SPJC's compliance with those requirements referred to above and performing such other procedures, as we considered necessary. Our audit does not provide a legal determination of SPJC's compliance with those requirements.

To achieve our objectives, we studied legislation, WV Code sections, applicable rules and regulations, and policies of SPJC and DJS. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observations of SPJC operations, and through inspections of documents and records. We also tested transactions and performed other auditing procedures we considered necessary to achieve our objectives. Additionally, we reviewed the budget, studied financial trends, and interviewed SPJC personnel to obtain an understanding of the programs and the internal controls respective to the scope of our audit. In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk.

To select transactions for testing, variations of non-statistical and statistical sampling were used. Sample size was determined either using RAT-STATS statistical software or by professional auditor judgment. Our samples of transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes.

SPJC management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. In addition, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Post Audits Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving State operations.

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## CONCLUSIONS

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The SPJC expenditure process had significant internal control weaknesses and noncompliance in areas of high risk. There was a lack of segregation of duties and a failure to maintain all supporting documentation.

For the items tested, SPJC did not comply with parts of the following: WV Code, WV Legislative Rules, the Code of Federal Regulations, WV Division of Personnel Policies, WV State Auditor's Office Purchasing Card Policies and Procedures, and WV Division of Juvenile Services Policies. Noncompliance with the aforementioned was related to lack of internal controls, inadequate recordkeeping, lack of segregation of duties due to limited staff, and lack of management oversight.

We noted other instances of noncompliance that, while not significant to warrant inclusion in this report, still merit the attention of SPJC and DJS management. These items were communicated to the SPJC in a letter.

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## EXIT CONFERENCE

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We discussed this report with management of SPJC and DJS on Friday, October 11, 2013. All findings and recommendations were reviewed and discussed. Management's responses have been included at the end of the report in Appendix A.

**SAM PERDUE JUVENILE CENTER  
JULY 1, 2010 – JUNE 30, 2011**

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**FUND LISTING**

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We have completed a post audit of the Sam Perdue Juvenile Center. The examination covers the period of July 1, 2010 through June 30, 2011.

**GENERAL REVENUE ACCOUNT**

<b><u>Fund Number</u></b>	<b><u>Name</u></b>
0570.....	Division of Juvenile Services Account Fund

**LIST OF ACCOUNTS**

<b><u>Account Number</u></b>	<b><u>Name</u></b>
984.....	Sam Perdue Juvenile Center Account

**SAM PERDUE JUVENILE CENTER  
JULY 1, 2010 – JUNE 30, 2011**

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**FINDINGS AND RECOMMENDATIONS**

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**Finding 1: Video Conferencing Informational Finding**

**Condition:** We estimated, for FY 2013, the SPJC could have saved as much as \$39,000 in fuel and wages if allowed by the court system to use available video conferencing equipment. The savings could have been as much as \$302,000 for all DJS facilities.

During our audit of SPJC, we noted a large amount of resident transports to court hearings were completed by the center. After discussing the transports with staff members, we were informed of SPJC's video conferencing capabilities. Personnel explained SPJC contacts courts on a regular basis requesting to use video conferencing in lieu of physically transporting the residents to the various court locations. However, courts have required SPJC to physically transport the residents to the hearings, only allowing SPJC to utilize video conferencing one time.

After contacting all of the juvenile centers under the control of the DJS, we were informed all other centers experience the same issue. With the exception of the Kenneth "Honey" Rubenstein Juvenile Center in Davis, WV, the centers have had very limited success with the courts allowing the use of video conferencing.

We obtained documentation from the various DJS facilities regarding the transports. The table below details the estimated expenses incurred per facility by DJS to transport residents to court appearances during FY 2013:

Juvenile Center	Transports	Fuel Expense	Minimum Pay Total	Maximum Pay Total
<b>Sam Perdue</b>	<b>229</b>	<b>\$3,917.53</b>	<b>\$15,493.94</b>	<b>\$35,503.47</b>
Donald R. Kuhn	125	2,216.54	9,837.08	23,591.71
Gene Spadaro	249	8,351.38	19,196.41	44,981.99
J.M. "Chick" Buckbee	75	1,722.90	8,859.88	20,647.96
James H. "Tiger" Morton	225	2,390.65	11,503.73	26,337.26
Kenneth "Honey" Rubenstein	71	4,515.09	12,833.80	32,312.93
Lorrie Yeager	278	6,551.12	22,725.17	48,913.41
Northern Regional*	159	8,288.45	0.00	0.00
Robert Shell	114	1,515.24	6,243.18	13,300.76
Vickie V. Douglas	307	1,288.00	8,002.12	16,442.22
<b>TOTAL</b>	<b>1,832</b>	<b>\$40,756.89</b>	<b>\$114,695.31</b>	<b>\$262,031.70</b>

\*DJS contracts a facility, Northern Regional Juvenile Center (NRJC), with Youth Services System Inc. (YSS) in Wheeling, WV. For transports, NRJC performs the transport and bills DJS for a rate of \$0.47 per mile. All other costs such as the payroll of the officers performing the transport and any vehicle expenses are paid by YSS.

Personnel at the SPJC informed us of an instance in which a resident caused damage to a vehicle during a transport to a court hearing. The incident occurred in April 2012 and cost \$1,133 to repair. Personnel at the other juvenile centers were not aware of any instances similar to this; however, vehicles have been involved in minor accidents during transports.

We also obtained documentation regarding maintenance performed on the vehicles during fiscal year 2013. Due to the nature of maintenance, we were unable to determine a specific cost of maintenance resulting from transporting juveniles to court hearings. Maintenance performed on the vehicles cannot be avoided, but the amount spent may decrease by reducing the miles traveled from transporting juveniles. The amount spent on maintenance during FY 2013 is detailed in the table below:

Juvenile Center	Oil	Tires	Inspect	Repairs	Total
<b>Sam Perdue</b>	<b>\$439.36</b>	<b>\$172.00</b>	<b>\$59.00</b>	<b>\$3,201.04</b>	<b>\$3,871.40</b>
Donald R. Kuhn	275.80	61.95	50.40	3,710.93	4,099.08
Gene Spadaro	42.49	14.00	13.00	5,378.28	5,447.77
J.M. "Chick" Buckbee	165.90	52.50	37.62	1,778.58	2,034.60
James H. "Tiger" Morton	285.02	69.95	37.80	1,936.99	2,329.76
Kenneth "Honey" Rubenstein	0.00	2,438.00	0.00	1,308.23	3,746.23
Lorrie Yeager	307.45	195.95	48.00	1,571.25	2,122.65
Robert Shell	124.36	56.00	36.00	1,049.90	1,266.26
Vickie V. Douglas	368.92	191.93	74.46	3,873.08	4,508.39
<b>TOTAL</b>	<b>\$2,009.30</b>	<b>\$3,252.28</b>	<b>\$356.28</b>	<b>\$23,808.28</b>	<b>\$29,426.14</b>

**Criteria:**

**West Virginia State Court Rules, Rule 43 (d), states in part:**

“Video Appearances. If video conferencing is available, the court may direct, with or without a motion, that the juvenile or other hearing participants may appear for a judicial review by video conference.”

**Cause:**

Video conferencing for court hearings is at the discretion of the judges. In the past, judges have required SPJC to physically transport residents to the courts for the hearings. We contacted various Circuit Court judges throughout the state of WV. Their responses are summarized below:

- The use of video conferencing is sometimes a personal preference of the judges. The three judges which responded to our inquiries explained they are, and have been willing, to utilize video conferencing for juvenile court hearings. One explained they do not believe the juvenile physically appearing before the court to be advantageous, but believes that other judges may disagree.
- One judge explained that the use of technology might sometimes convey to the juvenile that they are not important and this should never be the case. Video conferencing may also lead to the juvenile not taking the process as seriously as it should be taken. The judge further explained that seeing the juvenile in person and seeing how they interact with others is very

important. It was explained that the use of video conferencing should not interfere with working with the juveniles' families, which is also a very important aspect of the court hearings.

- The technological capability of the courtrooms is a factor in utilizing video conferencing. The judges explained their courtrooms are capable of video conferencing; however, not all courtrooms in the state may have the capability to use the technology.
- The attorneys of the juveniles sometimes require that their client physically appear before the court. The attorneys often use this time to speak to their clients and advise them of the upcoming proceedings. One judge explained to us that the attorneys should have already previously spoken to their clients prior to the date of the court hearing.
- The type of hearing may also dictate whether video conferencing can be utilized. Trial hearings and hearings that involve evidence being presented require a more "hands-on" approach and therefore necessitate the juvenile to be present in the courtroom. Video conferencing is normally utilized for status and review hearings.

Personnel at the other juvenile centers in the state explained they have also repeatedly requested to use video conferencing for court hearings. Each center has only been able to utilize video conferencing on one or two occasions when special circumstances with the residents have occurred.

**Effect:**

Physically transporting residents to court hearings, as opposed to utilizing video conferencing, causes the juvenile centers to use unnecessary funds to perform the transports. According to our estimates, an estimated minimum of \$155,000 was spent in FY 2013 to physically transport residents to court hearings. These costs could be as high as \$302,000, depending on which officers conducted the transports. Additionally, wear and tear on the vehicles used causes additional expenses which may be avoided if the transports were reduced.

In addition to monetary costs, there are many other risks associated with transporting juveniles to court hearings. The physical transport of juveniles may create conditions which could cause physical and/or emotional harm to the juveniles. The residents must be kept in restraints during transports and any stops, such as, being taken to public restrooms when necessary, is not only traumatic for the juvenile, but also presents an escape risk.

Car accidents could occur during the transportation of the juveniles which could injure both the residents and the officers. The vehicles used for the transports could malfunction causing the residents and officers to be stranded for an extended period of time. This could leave SPJC/DJS open to risk and liability which could result in avoidable litigation.

Some juveniles also require special medical attention which adds additional costs and may be difficult to provide while traveling. Finally, time spent on

transports to court hearings reduces the amount of time which the juvenile would ordinarily be spending in school and other activities. Time which should be spent on rehabilitating the juvenile is instead spent traveling to a court hearing.

**Recommendation:** We recommend DJS and the respective juvenile centers continue to work with the courts and judges to allow and utilize video conferencing to replace and eliminate a majority of physical transports to court hearings when possible. We further recommend that judges and courts in each county be equipped with video conferencing capabilities, when cost effective, and allow juvenile centers to utilize video conferencing to meet court requirements.

Spending Unit's  
Response: *See Appendix A*

**Finding 2:****Lack of Internal Controls****Condition:**

During our fieldwork at SPJC and through correspondence with the DJS Central Office we noted the following instances of a lack of segregation of duties:

1. Payroll: Payroll is handled by employees in the human resources department. Employee files are maintained with these employees. Furthermore, the Human Resources Director is able to process payroll and also approve her own work. No process is followed which separates the approval function from the processing function.
2. Sick and Annual Leave: The Office Assistant II at SPJC enters sick and annual leave for all employees, including her own leave, into the leave system. No review of the leave processing is completed by individuals with knowledge of the actual leave taken. Allowing an individual access to modify or adjust his/her personal leave in the leave system could result in inaccurate leave balances and an employee being paid improperly. The opportunity exists for the employee to increase their personal leave balances.
3. Purchasing: The Assistant Director of Budget and Finance is able to perform multiple aspects of the purchasing function. The assistant director is able to order and purchase items, as well as, approve, review, and reconcile the purchases.
4. Inventory: The approval process over inventory is not separated from the processing function as the Administrative Services Manager (also holds position as Assistant Director of Budget and Finance) is capable of processing inventory and approving the work.
5. Receiving: Purchased items at SPJC are received by the same individuals who order and purchase the items. Additionally, the office assistants who purchase and receive the items also assist personnel at DJS Central Office in inventorying the items. Central Office personnel who inventory items also receive the items which are delivered directly to the DJS Central Office.
6. Kitchen inventory: The employee who orders the supplies for the kitchen is also the same employee who performs the monthly inventory. The employee that performs the purchasing function should not have any influence over the reconciliation or write-off of inventory.
7. Payments Received: The employees who receive payment for the meal tickets are also the same employees who prepare the deposit of monies received. In addition, there is no log kept for the tickets that are sold and the monies received are deposited when the tickets are redeemed for a meal.

In addition to the aforementioned internal control weaknesses, no secondary controls are in place to offset the weaknesses. Due to many of the weaknesses

stemming from management, a control such as management oversight is not a sufficient secondary control.

Further, we noted a lack of internal controls with certain practices used in regards to purchasing cards. We noted purchases were made on an account at the local Lowe's Home Center store. Purchases were made by two maintenance personnel, who are not purchasing card cardholders. The account was subsequently paid by the Office Assistant II, utilizing a purchasing card. Controls were not in place to ensure the card was not misused or to ensure the purchases were for the benefit of the agency. Items were not received by an individual independent from the purchasing of the items or payment of the invoices.

**Criteria:**

**WV Code §5A-8-9, 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..."

**West Virginia Division of Juvenile Services Policy Number 117.00 states in part:**

"...Regulations and procedures prescribed by the state that require a strict recording and receipting of all funds, provide for an officially designated and secure location of all funds collected on a daily basis, provide for the disbursement of funds for approved goods or services, and establish methods used for collection, safeguarding and disbursement of funds are recognized and adhered to..."

**Legislative Rule §148-7, effective April 18, 2002, states in part:**

"3.1 This legislative rule applies to all spending units of State government except those statutorily exempted."

"4.2 The Auditor may:

4.2.a. Establish procedures for documenting, reconciling and paying invoices for card purchases;

4.2.c. Establish the manner in which spending units document purchases and reconcile invoices prior to submission of the invoices to the Auditor for payment;"

**West Virginia State Auditor's Office Purchasing Card Policies and Procedures Section 2.5 states in part:**

"...Sufficient internal controls must be in place at each Spending Unit to ensure compliance with applicable laws, rules and regulations, P-Card Policies and

Procedures, and other governing instruments. Each Spending Unit is required to develop and document internal control procedures that ensure P-Card usage is consistent with this manual and to develop guidelines for distribution to cardholders...”

Management is responsible for establishing and maintaining effective internal controls. A fundamental concept of internal control is adequate segregation of incompatible duties. For adequate segregation of duties, management should ensure responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different employees.

**Cause:** Throughout the course of the audit, Central Office personnel informed us multiple duties must be handled by individuals due to understaffing. Because of the staffing issues, proper segregation cannot occur. Due to understaffing, members of the agency’s management are the individuals performing the duties. Therefore, controls such as management oversight cannot be deemed to be adequate.

Division of Juvenile Services personnel, including the P-Card Coordinator, was unaware of the account at the Lowe’s Home Improvement Store. The possibility exists that the account went unnoticed due to the review and reconciliation process not being completed timely. Upon becoming aware of the account, the account was ordered to be closed. The p-card coordinator was under the impression the account had been closed; however, upon our request for documentation supporting the closing of the account, the account was still active. The account was then closed on November 2, 2012, and documentation was obtained to confirm the closing of the account.

**Effect:** Not segregating duties in the payroll process allows for employees who update and pay employees to also have access to employee records. This increases the opportunities for fraud to occur from a false employee being created and paid. Allowing an individual access to modify or adjust his/her personal leave in the leave system could result in inaccurate leave balances and an employee being paid improperly. The opportunity exists for the employee to increase their personal leave balances and reward themselves with additional leave.

Not segregating the purchasing, receiving, and recording functions could result in fraud or theft of items purchased by the agency. When the same individual who purchases an item also receives and/or records the item, the likelihood for the item being stolen or not being used for the benefit of the agency increases.

Improper internal controls could result in theft or fraud. Misuse of purchasing cards is more likely to occur when controls are not present or effective. Collusion is also more likely to occur due to the lack of another person receiving or reviewing the purchases.

**Recommendation:** We recommend SPJC and DJS comply with WV Code §5A-8-9 and West Virginia DJS Policy 117.00 and create and implement proper internal controls, including segregation of duties, as well as document the controls which are implemented.

We also recommend duties be performed by individuals other than management so secondary controls such as management oversight can be relied upon. We further recommend DJS comply with West Virginia State Auditor's Office Purchasing Card Policies and Procedures Section 2.5, supported by Legislative Rule 148-7, and develop and implement internal controls such as segregation of duties over purchasing card purchases.

Spending Unit's  
Response:

*See Appendix A*

**Finding 3: SPJC Lack of Proper Inventory Control**

**Condition:** During testing of inventory, we noted a lack of proper inventory control.

- The inventory records maintained by SPJC and the Central Office of the DJS did not contain enough detailed information to ensure accurate recordkeeping of inventory,
  - The room location and department for each item was not noted in the inventory records.
  - The purchase information, such as acquisition date and original cost, was not consistently recorded.
  
- The inventory records were not updated to reflect the addition of new purchases and the deletion of surplus items.
  
- The population consisted of 286 items. Twelve of 35 (34%) inventory items tested could not be traced to their physical locations. The 12 items were on the current inventory records indicating the items were currently in use; however, we were not able to locate the items at SPJC. SPJC staff provided Surplus Property Retirement Forms for five items we could not locate and a handwritten note referring to the surplus of one of the items we could not locate which had occurred before the time of the hiring of the current SPJC Office Assistants. The remaining six items were not found to have been surplus and no other information was provided. The items are detailed below.

<b>ITEMS WHICH COULD NOT BE LOCATED AND NO OTHER INFORMATION PROVIDED</b>				
<b>Tag #</b>	<b>Item Description</b>	<b>Serial Number</b>	<b>Acquisition Date</b>	<b>Original Cost</b>
001217	Gasoline Leaf Blower	98216N300231-1	7/16/1999	\$128
001292*	Mobile Radio	HCN1090A	6/1/01	\$1,086
002718	Sewing Machine	K1G153599	2/28/2002	\$99
002723	Computer Keyboard	B1399ACGAKL423	Jun-01	(UTD)
002748	Delonghi Elec. Oil Heater	3211	1/7/2004	\$70
11652	North 800 Series SCBA Respirator	813374	11/21/2007	\$2,041
* We could not verify a possible transfer.				

- Additionally, the asset tag numbers on the Inventory Management Forms for four items were not listed in the active inventory records for SPJC. Therefore, we were unable to determine (UTD) three of the four original serial numbers and two of the previously mentioned items original cost. The items are detailed below.

ITEMS LISTED ON INVENTORY MANAGEMENT FORMS BUT NOT ON INVENTORY LIST				
Tag #	Item Description	Serial Number	Acquisition Date	Original Cost
14282	DeLonghi Electric Oil Heater	UTD	1/7/2004	\$34
14283	DeLonghi Electric Oil Heater	UTD	1/7/2004	\$34
14278	John Deere Lawn Cart	UTD	6/14/2001	UTD
14280*	Craftsman Leaf Blower	05290N101600	UTD	UTD
*Item was also in our inventory trace in the table below.				

- We further noted two items did not have an affixed inventory tag.

ITEM #	ITEM DESCRIPTION	ASSIGNED ASSET TAG #	TRANSACTION DATE	ACQUISITION COST
1	Kostner Desk SP	002785	5/16/2006	\$1,645.00
2	Indoor/Outdoor Portable Game 10'. 180 lb., Green, Pair	18304	3/7/2011	\$701.80
				<b>\$2,346.80</b>

- We also noted six of ten (60%) inventory items we attempted to trace from their physical locations to the inventory listing were not on the SPJC inventory listing. Therefore, we were unable to determine (UTD) the original acquisition cost and date of the items. The items are detailed below.

ITEMS FROM INVENTORY TRACE NOT ON INVENTORY LISTING				
Tag #	Item Description	Serial Number	Acquisition Date	Original Cost
20686	Ecolab Cleaner	E0004929	UTD	UTD
10637	Gateway Computer	0033935777	UTD	UTD
14326	Ping Pong Table	209921	UTD	UTD
20685	Gas Grill	BH-12-101-001-02	UTD	UTD
14365	Brother Printer	U61944M9J247467	UTD	UTD
14280*	Craftsman Leaf Blower	05290N101600	UTD	UTD
*Item also noted in the table above.				

- Finally, we noted the DJS Central Office personnel completed a new Surplus Property Form upon receipt of the same type of form from the SPJC Office Assistants. Of the 157 surplus items within the population, we noted the duplicate forms for four of the five (80%) surplus items tested. In addition to the duplication of forms, we noted that pertinent information had been omitted on the Surplus Property Forms and the Inventory Management Forms such as the acquisition date, the original cost, etc.

**Criteria:**

**WV Code §5A-8-9, 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...”

**WV Code §5A-3-35, states the following:**

“Submission of annual inventories:

The head of every spending unit of state government shall, on or before the fifteenth day of July of each year, file with the director an inventory of all real and personal property, and of all equipment, supplies and commodities in its possession as of the close of the last fiscal year, as directed by the director.”

**Division of Juvenile Services Policy Number 121.02 for Asset Control states the following in part:**

**"Reportable Asset Property:** For reporting purposes to the Department of Administration, reportable asset property items consist of property with an original acquisition cost of \$1,000.00 or more and a useful life of one (1) year or more except for computer type property which has an acquisition cost of \$500.00. For reporting purposes to the Division of Juvenile Services' Central Office, reportable property consists of items of property with an original acquisition cost of \$100.00 or more and a useful life of one (1) year or more, and all non-expendable asset property....."

“...7...It is the responsibility of the Facility Inventory Management Coordinator to ensure that the master inventory list reflects a current listing of reportable asset property purchased, or otherwise acquired, by the unit...”

...8. Reportable asset property, upon acquisition, will be added to the Master Inventory List and a numbered inventory control tag affixed to the property. The tag number will be recorded on the Master Inventory List.

...9(d)...When the retirement form(s) are received by the Division of Juvenile Services' Inventory Management Coordinator the retirement will be processed and submitted to Surplus Property...”

**Cause:**

DJS staff did not update the inventory records, in a timely manner, upon receipt of the Inventory Management Forms and the Surplus Property Retirement Forms (WV-103) for new purchases and/or surplus items from the SPJC staff. Also, SPJC staff did not consistently affix an asset tag to all required items or put the asset tag in the notebook maintained to track inventory. Therefore, new items are not being properly added to the inventory records and surplus items are not being timely removed from the inventory records resulting in inventory records which do not accurately reflect the items held by SPJC.

However, SPJC staff noted there are some items that may not be suitable for the asset tag to be physically attached. Additionally, the inventory records maintained by DJS and SPJC did not contain the exact location of each item and all of the Surplus Inventory Forms were not fully completed. DJS personnel stated they are understaffed and overworked, but do the best they can to keep up. *(Note: There was employee turnover during our audit which we noted understaffed the Central Office even more so because positions were left open, which added to the workload of the remaining employees.)*

We noted the issues with the Inventory Management Form having items listed which were purchased between 6/14/01 to 7/16/09 would have occurred before the time the current Office Assistants were employed at SPJC.

**Effect:**

By not timely updating the inventory records to reflect the addition of new purchases and the deletion of surplus items, the inventory held by SPJC is not accurately recorded and the value of inventory is misstated. When inventory records are not accurately recorded, the risk is increased that theft or misuse of state property could occur and go unnoticed.

When the DJS Central Office personnel complete a new Surplus Property Form upon receipt of the same type of form from the SPJC Office Assistants, the result is the duplication of work and, therefore, an inefficient use of work time.

**Recommendation:**

We recommend SPJC comply with WV Code §5A-8-9 and §5A-3-35, and West Virginia Division of Juvenile Services Policy Number 121.02 by properly recording the addition and disposal of inventory items at SPJC in a timely manner as well as listing a detailed location for each inventory item. Additionally, we recommend SPJC ensure each inventory item which meets the established criteria is assigned an asset tag. Lastly, we recommend the DJS Central Office cease the completion of duplicate Surplus Property Forms once the original forms are received from SPJC Office Assistants, and, instead use the original form to complete the surplus disposition process.

Spending Unit's  
Response:

*See Appendix A*

**Finding 4: Improper Overtime Pay**

**Condition:** During our test of proper pay and overtime at SPJC we noted 12 instances in which employees worked overtime during the pay period tested. Of these 12 instances, 7 (58%) of the instances were miscalculated or noncompliant with applicable laws and regulations.

Five of the seven instances involved the overtime rate being miscalculated. After investigating the difference, we determined it was due to annual increment not being included. After further review of all overtime rates for the employees, we determined all employees' overtime rates, for those eligible for annual increment, were miscalculated and did not include annual increment in the calculation.

We further noted two employees worked overtime, according to the time sheets and Genesis Pro time cards, but no authorization form for the overtime was maintained.

**Criteria:** **Title 29, Part 778 of the Code of Federal Regulations, Section 209, states in part:**

"...Where a bonus payment is considered a part of the regular rate at which an employee is employed, it must be included in computing his regular hourly rate of pay and overtime compensation...The amount of the bonus is merely added to the other earnings of the employee (except statutory exclusions) and the total divided by total hours worked..."

**West Virginia Division of Juvenile Services Policy Number 141.00 states in part:**

"...Weekly scheduling of overtime is discouraged and justification must be provided, in advance, to the Division Director or his/her designee..."

**West Virginia Code §5-5-2, as amended, states in part:**

"(a) Every eligible employee with three or more years of service shall receive an annual salary increase equal to sixty dollars times the employee's years of service. In each fiscal year and on the first day of July, each eligible employee shall receive an annual increment increase of sixty dollars for that fiscal year.

(b) Every employee becoming newly eligible as a result of meeting the three years of service minimum requirement on the first day of July in any fiscal year is entitled to the annual salary increase equal to sixty dollars times the employee's years of service, where he or she has not in a previous fiscal year received the benefit of an increment computation. Thereafter, the employee shall receive a single annual increment increase of sixty dollars for each subsequent fiscal year.

(c) These incremental increases are in addition to any across-the-board, cost-of-living or percentage salary increases which may be granted in any fiscal year by the Legislature..."

**Cause:** The overtime rate was miscalculated due to annual increment not being included in the calculation. Overtime should be calculated by adding the annual increment the employee will be receiving at the end of the current fiscal year to the employee's regular salary, dividing by 2080 hours worked, and then multiplying by 1.5. DJS calculated overtime by multiplying the employee's regular hourly rate by 1.5.

Authorization forms for overtime worked are normally maintained for each employee with the time sheets and time cards. All time sheets and time cards for the employees were obtained as well as all forms authorizing overtime worked. The employees worked overtime on multiple occasions which were supported by authorization forms; however, no authorization forms were present for the instances in question.

**Effect:** Not including annual increment in the calculation of the employee's overtime rate results in employees being underpaid for overtime hours worked. Additionally, disputes could arise causing unnecessary resources to be spent to correct the error. Miscalculating overtime affects many other facets of employee pay including gross wages, retirement, taxes, insurance and other deductions. Employee deductions could be improperly withheld causing insurance and tax related issues.

Not maintaining documentation authorizing overtime could result in the abuse of working overtime. Without proper authorization, it may be difficult to calculate employee's proper pay due to discrepancies with overtime hours.

**Recommendation:** We recommend SPJC and DJS comply with Section 209 of Title 29, Part 778 of the Code of Federal Regulations and include annual increment in the computation of employees' overtime rate. Furthermore, we recommend SPJC and DJS comply with WVDJS Policy 141 and maintain documentation authorizing overtime being worked.

Spending Unit's  
Response:

*See Appendix A*

**Finding 5: Rent, Maintenance, and Repairs**

**Condition:** We noted various exceptions in 14 of 16 (88%) expenditures for rent, maintenance, and repairs transactions tested. The rent, maintenance, and repairs population consisted of 41 transactions totaling \$15,733.

- SPJC utilized the incorrect object code for 8 of the 16 transactions totaling \$3,144.93:
  - SPJC used object code 143 (*Building Improvements for acquisitions of Fixed Assets over \$5,000*) for the purchase and installation of carpet, whereas we determined the correct object code should have been 064 (*Routine Maintenance of Buildings which do not increase the capital assets*). We also noted the Receiving Report prepared for this transaction did not list the date the commodities were received in accordance with WV Code; therefore, we could not determine if the Receiving Report was prepared within 24 hours of receipt.
  - SPJC used object code 022 (*Rental Expense*) for the rental of training facilities used for the training/housing of employees, whereas we determined the correct object code should have been 052 (*Training and Development*).
  - SPJC used object code 038 (*Routine Maintenance Contracts/Warranties*) for the reimbursement to the WV Regional Jail and Correctional Facility Authority (RJA) for the provision of computer technical support services by a contracted vendor, whereas we determined the correct object code should have been 027 (*Computer Services*).

The eight transactions are detailed below:

<u>VENDOR</u>	<u>FIMS ID</u>	<u>OBJ CODE</u>	<u>AUDITED OBJ CODE</u>	<u>DATE</u>	<u>AMOUNT</u>
Family Carpet Outlet, Inc.	I012146423	143	064	6/1/2001	\$1,485.78
GSC Housing Corp	I011363055	022	052	11/10/2010	1,067.97
Syscon	E000865259	038	027	8/25/2010	98.53
Syscon	E000879935	038	027	1/4/2011	98.53
Syscon	E000873838	038	027	11/8/2010	98.53
Syscon	E000902763	038	027	6/17/2011	98.53
Syscon	E000898466	038	027	5/12/2011	98.53
Syscon	E000892593	038	027	4/4/2011	98.53
<b>TOTAL</b>					<b>\$3,144.93</b>

We noted the current contract DJS has with the Regional Jail Authority (RJA) does not accurately reflect the present terms. The contract leaves open the possibility for additional reimbursement to RJA. DJS previously reimbursed RJA in the amount of \$76,288 out of fiscal year 2006 then-current funds for the payment of 35 months' of "overlooked" invoices. RJA billed DJS/SPJC for

computer technical support provided by Syscon (RJA and DJS had a valid contract regarding services from Syscon) as per the contract, which states, "The Authority agrees to submit an invoice to Juvenile Services for payment in an amount equal to the Authority's cost for Juvenile Services technical support from Syscon." The previously mentioned contract still references possible required reimbursement going back to 2003 as noted in Section 2 on page 2 of the contract which states the following: "2. Juvenile Services agrees to reimburse the RJA for any costs it has incurred on its' behalf, since August 1, 2003, as a result of its' use of Syscon support."

Additionally, we noted that the DJS Central Office applied SPJC's portion of the \$98.53 monthly payment for computer technical support services for June 2011 to the incorrect ACT code, the Northern Regional Detention Center (982) instead of SPJC (984). As noted above, DJS/SPJC reimburses the RJA for the provision of computer technical support services by a contracted vendor (*Syscon Justice Systems*).

SPJC received services from Statewide Service Inc., on 8/13/10 with payment due on 9/12/10, but the payment was not made until 11/4/10. Fortunately, there were no fees applied to the late payment. The transaction is detailed below:

WVFIMS DOC #	DATE	AMOUNT
I011348341	11/4/2010	\$632.50

We noted a lack of timely payments to RJA for reimbursement of the payments made to Syscon. The invoices for the months of October 2010 and November 2010 were both paid on 1/4/2011.

MONTH	WVFIMS ID	DATE	AMOUNT
October	E000879936	1/4/2011	\$ 98.53
November	E000879935	1/4/2011	<u>98.53</u>
<b>TOTAL</b>			<b>\$197.06</b>

We also noted a lack of timely payments to GSC Housing Corp for the rental of training facilities, as detailed below:

WVFIMS DOC #	OBJ CODE	DATE	COMMENT	AMOUNT
I011363055	022	11/10/2010	JULY 1, 2010-SEPTEMBER 30, 2010	\$1,067.97
I012128191	052*	6/17/2011	JAN 2011-MARCH 2011	<u>1,067.97</u>
<b>TOTAL</b>				<b>\$2,135.94</b>

\*During our audit, we learned that the DJS Central Office was informed by the WV State Auditor's Office that the correct object code is 052 instead of 022.

**Criteria:**

**WV Code §5A-8-9, states in part:**

“The head of each agency shall:...

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

**The FY 2011 Expenditure Schedule Instructions prepared by the State Budget Office, Department of Revenue, state the following, in part:**

**“...022 - Rental Expense:** Rental or lease of real estate, buildings, office space, meeting rooms and parking spaces. Lease or rental agreements covered by this object code must have prior approval by the Real Estate Division, Department of Administration. (Not lease purchase.)...”

**...027 - Computer Services:** Charges for computer services by IS&C, WVNET, State Auditor’s Office, legislative computer system, or any other authorized entity for contractual or professional support services for computers and software, programming, machine time, transaction fees, and/or other related computer services. A written agreement (WV-48 or equivalent) is required for professional and contractual services...

**...038 - Routine Maintenance Contracts/Warranties:** Charges for routine maintenance contracts/warranties for office equipment/machinery, elevators, heating, air conditioning, aircraft (i.e., fixed wing and helicopter) and communications equipment...

**...052 - Training and Development:** All costs that are associated with the training, development, and education of an employee, including those materials solely purchased for in-house training (transparencies, films, videos, etc.); rental of training facilities; video teleconferencing charges related to training and education; any professional consulting services in the conducting of training; reimbursement of authorized travel expenses (as allowed by the State Travel Regulations) incurred while attending training seminars; and tuition reimbursements for job-related course work and IS&C site training fees...

**...064 - Routine Maintenance of Buildings:** Labor and/or materials used for maintenance or to make repairs to a building either internally or externally. Includes inspection/certification of fire hydrants, fire extinguishers, fire alarms and automated security systems. Repairs that increase the life or value of the building are to be reported under Object Code 143 or 157...

**...143 - Building Improvements:** Labor and/or materials used to alter a State-owned building, either internally or externally, in such a fashion as to improve the overall life or value of the structure when an agency or institution owns the building...”

**West Virginia Division of Juvenile Services Policy Number 117.00 states the following in part:**

“...6. Adherence to the West Virginia Purchasing Guidelines and Payment Processing Guidelines of the state is required...

...8. All accounts payable functions are performed in an accurate and timely basis...”

**Cause:**

DJS personnel explained that the RJA writes the contract agreement each year and carries the language forward from the August 2003 agreement. The contract states, "This Agreement shall automatically be renewed unless otherwise; terminated by either party by a thirty-day written notice." Therefore, it appears the continued language in the contract is an oversight needing to be corrected. The June 2011 payment of \$98.53 to reimburse RJA for computer services provided by Syscon appears to have been keyed in error to the wrong ORG number.

**Effect:**

Since the current contract with the RJA contains the language of reimbursement from 2003, there is the possibility that the vendor could come back on SPJC/DJS for additional payment for previously paid items; therefore, resulting in overbilling or double-billing SPJC/DJS.

Also, misapplication of payments to a vendor from one center’s budget instead of another’s has the potential to cause a shortfall in the available funds to juvenile centers already on a tight budget.

Finally, West Virginia can be subject to late payment fees and/or interest payments when bills are not paid within a reasonable length of time. The State image and reputation is damaged by untimely payment for services rendered. Additionally, vendors could let the fact be known that the state is negligent when it comes to remittance of payments due; allowing other vendors to write that liability into future contracts with the state.

**Recommendation:**

We recommend SPJC comply with WV Code §5A-8-9, the State Budget Office Expenditure Schedule, and DJS Number 117.00 to ensure adequate record keeping is occurring and accounts payable functions are performed on an accurate and timely basis. Lastly, we recommend SPJC/DJS request of the Regional Jail Authority to update the language contained within the current contract when the contract is renewed.

Spending Unit’s  
Response:

*See Appendix A*

**Finding 6: SPJC Expenditures**

**Condition:** We tested 47 out of 371 expenditures and we tested 35 out of 278 total purchasing card transactions for the SPJC. We noted the following items:

- Nine instances, totaling approximately \$3,520 in which we were unable to determine if transactions were properly authorized.
  - We noted seven expenditures, totaling approximately \$3,353, in which purchase request forms were not maintained documenting the request and authorization of the purchases.
  - Two out of 35 p-card transactions, totaling approximately \$167, in which documentation was not maintained supporting the transaction and the authorization of the transaction. Purchase request forms were not maintained documenting the request and authorization of the purchase.
- Four out of 35 p-card transactions, totaling approximately \$2,240, in which transactions were not properly authorized. The transactions were in amounts greater than \$300 and were not authorized, with a signature on the purchase request forms, by the Facility Director, as required per the Division of Juvenile Services policies and procedures for FY 2011.
- Five out of 35 p-card transactions, totaling approximately \$1,226, where the monthly log sheets of the cardholders' purchases were not signed by the Assistant Director of Budget and Finance.

**Criteria:** **WV Code §5A-8-9, 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...”

**Legislative Rule §148-7, effective April 18, 2002, states in part:**

“4.2 The Auditor may:

4.2.a. Establish procedures for documenting, reconciling and paying invoices for card purchases;

4.2.c. Establish the manner in which spending units document purchases and reconcile invoices prior to submission of the invoices to the Auditor for payment;”

**WV Purchasing Division's Purchasing Card Policies and Procedures Manual, states in part:**

"1.3 Each Spending Unit is required to develop and document appropriate internal control procedures to ensure that P-Card usage is consistent with this manual..."

**WV Division of Juvenile Services Policy Number 121.00 states in part:**

"...3. Purchase requests exceeding \$5,000 shall require the approval of the Division Director or his/her designee. Purchases from \$300 - \$5,000 shall require the approval of the Facility Director/Superintendent or his/her designee. Purchases of less than \$300 may be approved by a supervisor of the staff member making the request if the supervisor has been designated as being authorized to approve purchases..."

**WV Division of Juvenile Services Policy Number 124.00 states in part:**

"...7. a. Internal Review: The Assistant Director of Budget and Finance will review all P-cardholders' transactions on a quarterly basis and **signoff on their log sheets...**" [Emphasis Added]

**Cause:**

The Office Assistant II explained purchase requests were sometimes made when the Director was not present. In cases of this nature, the individuals completing the request would obtain the signature of the SPJC Sergeant who is able to authorize smaller purchases and the cardholder would complete the transactions. It was also explained to the auditors purchase request forms were not used by previous personnel during part of the audit period.

The Assistant Director of Budget and Finance, who completes and or supervises the duties in relation to the purchasing card, explained she was unable to complete her review of purchasing card transactions during April 2011 and was therefore unable to sign the log sheets. DJS personnel were overloaded and short staffed which ultimately led to an excessive work load, at times. It was further explained all documentation which was maintained of the purchasing card transactions was given to the auditors.

**Effect:**

Not obtaining proper authorization before a purchase could lead to the misuse or abuse of purchasing cards. Purchases could be made from unauthorized vendors at prices which are more expensive than could be obtained elsewhere.

Not maintaining proper documentation could lead to abuse or fraud going undetected. Without the proper documentation it is difficult to reconcile transactions which could allow wrongful purchases to go unnoticed and continue to occur. This could lead to monies being spent which are not beneficial to the agency.

Not following policies and procedures could lead to fraud and/or abuse of purchasing cards. By not completing a review of all transactions and signing off on those transactions, wrongful purchases could be made and go undetected for an extended period of time. This could present an opportunity for fraud and/or abuse to occur.

**Recommendation:** We recommend SPJC and DJS comply with WV Code §5A-8-9 and maintain records to support all purchases and transactions. Additionally, we recommend SPJC and DJS comply with Legislative Rule 148-7, and West Virginia State Auditor's Office Purchasing Card Policies and Procedures Section 1.3 . We also recommend SPJC and DJS comply with policies created by the agency and obtain the proper authorization before a purchase is made and complete and sign log sheets in a timely manner.

Spending Unit's  
Response: *See Appendix A*

**Finding 7: SPJC Lack of Routine Payments via P-Card**

**Condition:** We noted SPJC was not utilizing purchasing cards to make regular routine payments totaling \$68,617. Upon reviewing the total population of telecommunications and utilities expenditures, we noted 100% (56 out of 56) of telecommunications transactions totaling \$19,592 and 95% (58 out of 61) of utilities transactions totaling \$46,786 were not paid utilizing a purchasing card.

Additionally, during our test of combined expenditures<sup>3</sup>, we noted 23 instances out of 47 regular and routine payments totaling \$2,239, in which a purchasing card could have been used.

Due to SPJC not utilizing a purchasing card for the aforementioned transactions, the agency was assessed fees and forfeited rebates. A transaction fee of \$1.00 per transaction was assessed and a penalty fee of \$2.00 per transaction could have been assessed. Based on Citibank’s contract with the state of West Virginia, rebates amounting to 1.67% of each transaction were forfeited due to not utilizing a purchasing card. The table below details the unnecessary expenses:

Number of Transactions	Amount of Transactions	Transaction Fee	Potential Penalty Fee	Rebates Forfeited	Total Unnecessary Expense
56*	\$19,591.85	\$56.00	\$112.00	\$327.18	\$495.18
58 <sup>a</sup>	46,785.94	58.00	116.00	781.33	955.33
23 <sup>b</sup>	2,238.73	23.00	46.00	37.39	106.39
<b>137</b>	<b>\$68,616.52</b>	<b>\$137.00</b>	<b>\$274.00</b>	<b>\$1,145.90</b>	<b><u>\$1,556.90</u></b>

\*total derived from telecommunications transactions tested

<sup>a</sup>total derived from utilities transactions tested

<sup>b</sup>total derived from other combined tests

**Criteria: WV Code §12-3-10a, as amended, states in part:**

“...The Purchasing Card Program shall be conducted so that procedures and controls for the procurement and payment of goods and services are made more efficient. The program shall permit spending units to use a purchasing card to pay for goods and services. Notwithstanding any other provision of this code to the contrary, a purchasing card may be used to make any payment authorized by the Auditor, including regular routine payments and travel and emergency payments, and such payments shall be set at an amount to be determined by the Auditor...”

**WV Code §12-3-10c, as amended, states in part:**

“(a) In order to promote and enhance the use of the state purchasing card program established by the provisions of section ten-a of this article and in order to maintain and develop the fiscal operations and accounting systems of

<sup>3</sup> Test of Combined Expenditures included transactions for Contractual and Professional, General Expenses, Resident Supplies and Expenses, and Travel and Training.

the state, the auditor and the treasurer may assess joint transaction fees for all financial documents that will be processed on the central accounting system. Such transaction fees shall be prescribed by legislative rule proposed in accordance with article three, chapter twenty-nine-a of this code and may include the following: (1) A penalty fee to be assessed against spending units of state government who submit claims for payment of goods and services when those claims are authorized to be paid by use of a state purchasing card and the spending unit has failed to utilize the state purchasing card; and (2) A transaction fee to be assessed against spending units of state government for every transaction received, electronically or otherwise, by the auditor from the centralized accounting system..."

**West Virginia Division of Juvenile Services Policy Number 124.00 states in part:**

"...5. Each facility's business unit should forward eligible utility bills to the Agency P-card Coordinator for payment using the Division's utilities card..."

**Cause:** The WVDJS Central Office told the office assistants at the SPJC to pay the utility bills using West Virginia Financial Information Management Systems (WVFIMS). The SPJC employees were unaware of the rebate that comes along with paying those bills with the purchasing card. Central Office stated that paying by the purchasing card is decided by the individual cardholder at the facility.

**Effect:** The purchasing card is the preferred method of payment for the procurement of eligible goods and services. It offers state agencies, boards and commissions, and local government entities an efficient method for streamlining the payment process. In addition, paying with the purchasing card will earn the state a rebate, based on the program's total purchase volume.

Making payments through methods other than purchasing cards causes the state to not receive discounts and/or rebates. A fee is charged to the agency for each transaction processed using WVFIMS. Additionally, fees could be assessed against DJS for utilizing other methods of payment when the use of a purchasing card is approved as the preferred method of payment. By utilizing methods of payment other than purchasing cards, unnecessary resources are utilized, such as: time, money, additional labor, manual processing, and outsourcing (if necessary).

**Recommendation:** We recommend SPJC and DJS comply with WV Code §12-3-10a and 10c and utilize purchasing cards to make payments for regular and routine expenditures. We further recommend SPJC adhere to WV Division of Juvenile Services Policy Number 124.00 and forward all eligible utility bills to the P-card Coordinator for payment.

Spending Unit's  
Response: *See Appendix A*

**Finding 8: Unable to Audit Meal Ticket Receipts**

**Condition:** We were unable to audit receipts from the sale of meal tickets at SPJC due to the lack of detailed recordkeeping. A ticket is given when a meal is purchased, however a receipt is not given to the purchaser nor do they keep an itemized daily log of the purchases. The meal tickets are pre-numbered, but no record is kept of the ticket numbers or purchaser of the ticket. During our audit period, a total of \$2,337 was deposited with the WV State Treasurer's Office for the sale of meal tickets at SPJC; however, we were unable to determine if all money received was deposited into a state authorized account during our audit period.

**Criteria: WV Code §5A-8-9, 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...."

**WV Code §12-2-2, as amended, states in part:**

"(a) All officials and employees of the state authorized by statute to accept moneys due the State of West Virginia **shall keep a daily itemized record of moneys received for deposit in the State Treasury** and shall deposit within twenty-four hours with the State Treasurer all moneys received or collected by them for or on behalf of the state for any purpose whatsoever...." **(Emphasis Added)**

**West Virginia Division of Juvenile Services Policy Number 117.00 states in part:**

"...5. **Cash receipts shall be entered in the cash receipts log** by the business office staff or designee, verified for the accuracy of the records received and maintenance of funds, reviewed on a daily basis including funds and transaction records and deposited in a local bank..." **(Emphasis Added)**

**Cause:** The meal tickets are two-part pre-numbered ticket rolls purchased off the shelf at a general department store such as Wal-Mart. However, the agency does not record the ticket numbers or keep a log of meal ticket sales and the purchaser receives only one part of the two-part ticket. The second part of the ticket is shredded one month later. The amount of monies deposited monthly for the sale of meal tickets is based on the report from the SPJC kitchen staff which records the meals eaten for that particular month; however, there is no separate count for administrative purposes of the meal tickets sold or the monies collected from the sale of meal tickets.

**Effect:** Since there are no records kept of the ticket identification numbers or the number of people who purchase a meal ticket, the level of internal control was not adequate for the meal ticket receipts to be tested.

**Recommendation:** We recommend SPJC comply with WV Code §5A-8-9, WV Code §12-2-2, and West Virginia Division of Juvenile Services Policy Number 117.00 and maintain an itemized daily log for adequate recordkeeping of the sale of meal tickets. Further, we recommend SPJC perform a monthly written reconciliation of monies collected from the sale of meal tickets and confirm the records match the Child Nutrition Daily Record report prepared by the SPJC kitchen staff. The agency informed us they have already implemented our recommendations.

Spending Unit's  
Response: *See Appendix A*

**SAM PERDUE JUVENILE CENTER  
JULY 1, 2010 – JUNE 30, 2011**

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**APPENDIX A**

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STATE OF WEST VIRGINIA  
DEPARTMENT OF MILITARY AFFAIRS & PUBLIC SAFETY  
**DIVISION OF JUVENILE SERVICES**  
**STEPHANIE BOND, ACTING DIRECTOR**

1200 Quarrier Street  
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EARL RAY TOMBLIN  
GOVERNOR

JOSEPH C. THORNTON  
CABINET SECRETARY

To: The WV Legislative Post Audit Division  
From: The Division of Juvenile Service Administration Staff  
Reference: Sam Perdue Juvenile Center Legislative Audit  
Date: Thursday, October 16, 2013

This shall serve as the Sam Perdue Juvenile Centers' formal response to the issues outlined in the Post Audit Report. *The issues are listed with the responses immediately following.* Additionally, please note that any planned business process changes will be made Division-wide.

Finding 1: Video Conferencing Informational Finding

The Division of Juvenile Services, specifically SPJC, will continue to maintain their video conferencing equipment and offer that communication option to the courts and the judges at every opportunity.

Finding 3: SPJC Lack of Proper Inventory Control

The DJS Asset Management Coordinator will work closer with the SPJC business staff in regards to asset additions and disposals. A review will be done by the Assistant Director of Budget and Finance regarding the processing of duplicate Surplus Property forms for other than online asset retirements.

Finding 4: Improper Overtime pay

The Director of Human Resources will work closer with each Center's payroll staff member to ensure that the reported overtime hours are calculated using the total salary.

Finding 5: Rent, Maintenance, and Repairs

Finding 6: SPJC Expenditures

Finding 2: Lack of Internal Controls

The Assistant Director of Budget and Finance and the Central Office business staff supervisors will review and enhance procedural information in the WV Division of Juvenile Services Policy #117-Accounting Procedures and Cash Management. All of the Central Office business staff will work closer with the SPJC business staff to help them improve accuracy and make timely payments.

The purchase request process has been established for several years within the Division. The Central Office business staff will continue monitoring payment documents for the authorized purchase request and alert the Center Director when this form is missing so the matter can be addressed with their business staff.

If another contract is needed with the Regional Jail Authority concerning the SYSCON maintenance the recommended reimbursement language change will be submitted to Regional Jail Authority for inclusion.

The SPJC Director will instruct and monitor the center staff to make sure detailed location of inventory records are maintained.

The SPJC Director will review the staffing at the center and make segregation of duties changes as the staffing allows.

The two authorized SPJC P-Card designees will increase their monitoring on the P Cardholders work weekly.

Formal internal controls were prepared and submitted to the State Auditor's Office P Card program in 2007 and are given to every P Cardholder with the Division's WV P Card use policy. The Assistant Director of Budget and Finance and the Central Office business staff supervisors will review and update these controls.

Finding 7: SPJC Lack of Routine Payments via P-card

The DJS P Card Coordinator and Assistant Coordinators will work closer with the Central Office accounts payable staff to monitor invoices processed through WVFIMS that should/could be paid by P card. The Division business staff will be notified and instructed to work with the P cardholders in their center to make future payments using the P card.

The *WV Division of Juvenile Services Policy #124, Section: Procedures 3 d iii* request utility bills to be sent to Central Office to be paid "on an emergency basis only", each cardholder is authorized to pay utility bills with their P card. Utility companies will be contacted to establish whether they accept credit card payments, whether they charge a fee for paying by credit card, and if they have any specific payment requirements such as incremental payment amounts so we will know which utilities can be paid by P card.

Finding 8: Unable to Audit Meal Ticket Receipts

SPJC will make changes to their meal ticket selling and recordkeeping procedures before the end of October, 2013 to be in compliance with the recommendation received from this audit.

Thank you for the opportunity to respond to this audit. We appreciate all the information brought to our attention and we will start making corrective changes this month.

We also want to commend the staff who conducted the audit. They were very respectful and professional.

**SAM PERDUE JUVENILE CENTER  
JULY 1, 2010 – JUNE 30, 2011**

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**CERTIFICATE OF DIRECTOR, LEGISLATIVE POST AUDIT DIVISION**

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**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 18th day of October 2013.



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

Notification of when the report was released and the location of the report on our website was sent to the Secretary of the Department of Administration to be filed as a public record. Report release notifications were also sent to the West Virginia Department of Military Affairs and Public Safety; Division of Juvenile Services; Sam Perdue Juvenile Center; Governor; and State Auditor.