

WEST VIRGINIA LEGISLATURE
Legislative Post Audit Division

Building 1, Room W-329
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Denny Rhodes
Director

December 4, 2016

The Honorable William P. Cole III, President
West Virginia State Senate
Post Audits Subcommittee, Co-Chair
Room 229M, Building 1
State Capitol Complex
Charleston, West Virginia 25305

The Honorable Tim Armstead, Speaker
West Virginia House of Delegates
Post Audits Subcommittee, Co-Chair
Room 228M, Building 1
State Capitol Complex
Charleston, West Virginia 25305

Dear Mr. President and Mr. Speaker:

This letter is to inform the Post Audits Subcommittee of the results of our review of West Virginia State University (WVSU). At present, the Post Audit Division finds that:

- The former President of WVSU, Dr. Brian Hemphill, incorrectly received an incentive payment of \$7,500 for the University's rate of student retention for Fall 2015.
- On October 18, 2016 the former President paid back the \$7,500 to WVSU.
- The West Virginia Higher Education Policy Commission did not verify that the University's *Rate of Student Retention* numbers were correct before approval.

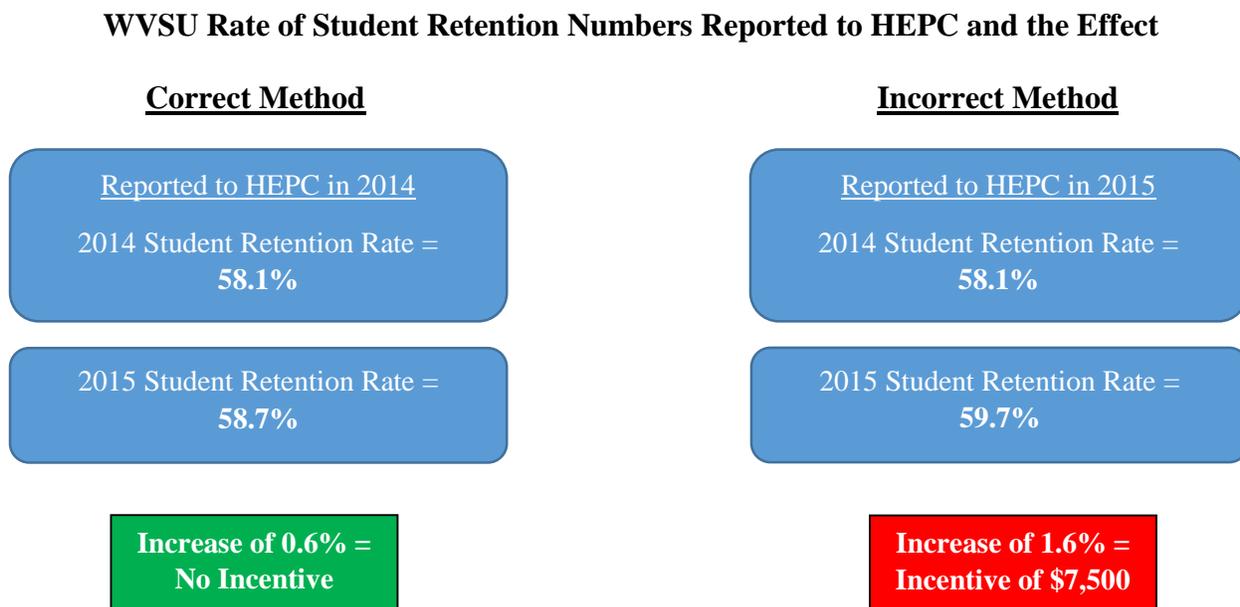
Identification of Initial Problem

The contract for the former President of WVSU stipulated that he could receive incentive compensation for student retention of up to \$10,000, dependent upon the percentage of new students retained from one year to the next. During the review of WVSU, the Legislative Auditor found a discrepancy between the University's 2014 and 2015 reported *Rate of Student Retention* numbers.

In October 2014 the WVSU Vice President for Business and Finance sent a letter to the Higher Education Policy Commission (HEPC) requesting an incentive be paid to President Hemphill for an increase in student retention numbers. The request showed student retention for 2014 at **59.1%** which constituted an 8% increase. However, the original and correct rate of the student retention noted by the Legislative Auditor for 2014 was **58.1%** which constituted a 7% increase and still justified an incentive payment of \$10,000.

Approximately one year later in September 2015, the WVSU Vice President for Business and Finance again sent a letter to HEPC requesting an incentive be paid to President Hemphill. The 2015 Rate was reported at **59.7%**. At the time, this rate was not verified by the University which indicated an increase

in student retention of 1.6% and allowed the former President to qualify for a \$7,500 incentive payment. However, the correct rate of student retention corrected by the University for 2015 was 58.7% resulting in an increase of only 0.6%. Based on the contract, the President would not have qualified for any incentive payment during this timeframe and therefore should not have been paid \$7,500. An overview and the effect of the reported numbers can be seen in the following figure.



Former President Reimbursed Upon Learning of Incorrect Payment

On October 17th, 2016 we requested WVSU provide further explanation about the incorrectly calculated incentive payment. On October 18th, 2016, the WVSU Vice President for Business and Finance explained that WVSU's Student Retention is measured by two reports, the 10-day census report and the 30-day census report. He stated that the discrepancy was caused by using the University's 10-day census report and not the 30-day census. He then discussed the issue with the former President, and on October 18th, 2016 Dr. Hemphill submitted a personal check reimbursing the University for the \$7,500 incorrectly calculated incentive payment.

West Virginia Higher Education Policy Commission Does Not Verify Accuracy of Submitted Information

The West Virginia Higher Education Policy Commission did not verify that the University's Rate of Student Retention numbers were correct. In a response on October 19, 2016, WV HEPC stated:

Approval to move forward with the incentive compensation was authorized based upon the information provided by the institution's chief finance officer. The Commission had no reason to question the accuracy of the West Virginia State University's Board of Governors' incentive calculations...

The response clearly shows that HEPC did not properly verify the University's incentive compensation numbers; and, which also aligns with previous findings by the Legislative Auditor in a report

released by the Performance Evaluation & Research Division on 1/12/2016 (*PE 15-16-583*). If compared to other years' information which HEPC had access to, it would have been able to prevent the incorrectly paid \$7,500 incentive payment to the President.

Conclusion

Based upon the information acquired during our review, the Vice President for Business and Finance at WVSU used two different reports when determining the Rate of the University's Student Retention for 2014 and 2015. Additionally, HEPC did not verify the information provided to them and stated "the commission had no reason to question the accuracy" of the information. Finally, based on this incorrect calculation the former President of WVSU received an incentive payment of \$7,500.

As a result of our review, the issue of the overpayment has been resolved as of October 18th, 2016 when the former President submitted a personal check to the University for the \$7,500 incorrectly calculated incentive payment. However, the potential for error will continue to exist if the HEPC does not execute its responsibility for oversight and approval of incentive payments. By not verifying the information, yet providing approval for the incorrectly calculated incentive payment, HEPC negates any reason for its involvement in the process. The Legislative Auditor commends WVSU for remedying the situation. Additionally, no other significant issues were noted within the scope of our review of the University.

Respectfully,



Denny Rhodes

October 18, 2016

Mr. Denny Rhodes, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., East
Charleston, WV 25305

Dear Mr. Rhodes:

As the University's Chief Financial Officer and representative that sent both letters in question, West Virginia State University (WVSU) President Anthony Jenkins asked that I respond to your inquiry into the discrepancy of the Fall 2013 to Fall 2014 rate of student retention between the October 17, 2014 and September 29, 2015 letters. These letters were sent requesting authorization to compensate former WVSU President Brian O. Hemphill for a retention incentive payment per his employment contract, which is silent on how the calculation is to be performed (i.e. census dates).

After reviewing the University's census files, it was found that this discrepancy was caused by the October 17, 2014 letter utilizing data obtained from the University's 10-day census report and not from the University's data obtained from the 30-day census report. The news article dated September 4, 2014 referenced and attached to your letter states in the first sentence that the numbers reported within the article are obtained from "preliminary fall 2014 figures."

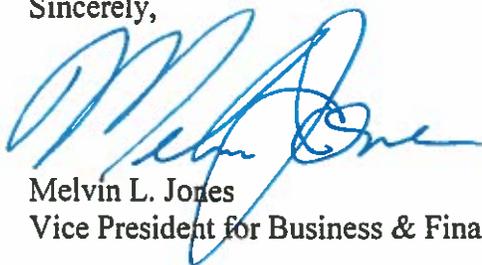
The Fall 2013 to Fall 2014 rate of student retention provided in the September 29, 2015 letter is accurate at 58.1 percent as this data was obtained and calculated from the University's 30-day census data. This represents a 7 percent increase from Fall 2013 to Fall 2014 and remains within the parameters established in former President Hemphill's employment contract as it is still above the 2 percent increase in the University's rate of student retention justifying the incentive payment for Fall 2014.

However, this same issue occurred in the September 29, 2015 letter, as the Fall 2014 to Fall 2015 rate of student retention provided was 59.7 percent which was again obtained from the University's 10-day census report and not the 30-day census.

After reviewing this information and discussing the issue with former President Hemphill, President Hemphill has submitted a personal check for the retention incentive payment he received in Fall 2015. It is important to note that President Hemphill was not involved in calculating the data or the writing of the letters due to the conflict of interest and only became aware of the issue following the University's receipt of your most recent letter.

If you have further questions or need any additional information, please do not hesitate to contact us.

Sincerely,



Melvin L. Jones
Vice President for Business & Finance

Cc: Dr. Paul L. Hill, Chancellor WV Higher Education Policy Commission

Bruce L. Berry, M.D.
Chair



Paul L. Hill, Ph.D.
Chancellor

Leading the Way:

Access. Success. Impact.

West Virginia Higher Education Policy Commission

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www.hepc.wvnet.edu

October 19, 2016

Mr. Denny Rhodes
Director
West Virginia Legislature
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Boulevard, East
Charleston, West Virginia 25301

Dear Mr. Rhodes:

In follow-up to your letter of October 17, 2016 regarding the employment contract and related incentive payments to the former president of West Virginia State University, the following information is provided.

In accordance with the original presidential contract dated May 24, 2012 and renewed on April 29, 2014, the West Virginia Higher Education Policy Commission was notified by the institutional Vice President for Business and Finance of the annual institutional retention rates for West Virginia State University. The contract outlined the stated goals to increase student retention and the corresponding incentive compensation. The annual incentive increases were to be based on the 2013 first-time, full-time, fall cohort of students.

Approval to move forward with the incentive compensation was authorized based upon the information provided by the institution's chief finance officer. The Commission had no reason to question the accuracy of the West Virginia State University's Board of Governors' incentive calculations as both requests were based on the initial cohort retention rate as stipulated in the contract.

If additional information is required, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Paul L. Hill".

Paul L. Hill
Chancellor