

**STATE OF WEST VIRGINIA**  
**SPECIAL REPORT**  
**OF**  
**BLUEFIELD STATE COLLEGE**  
**INTERNAL CONTROLS OVER**  
**IMPREST FUNDS AND CASH COLLECTION POINTS**

**For The Period**  
**July 1, 2005 – June 30, 2007**



**OFFICE OF THE LEGISLATIVE AUDITOR**  
**CAPITOL BUILDING**  
**CHARLESTON, WEST VIRGINIA 25305-0610**

**SPECIAL REPORT ON THE  
BLUEFIELD STATE COLLEGE  
INTERNAL CONTROLS OVER  
IMPREST FUNDS AND CASH COLLECTION POINTS  
FOR THE PERIOD JULY 1, 2005 – JUNE 30, 2007**

**WEST VIRGINIA LEGISLATURE**  
*Joint Committee on Government and Finance*

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The Joint Committee on Government and Finance:

The objective of this special report was to evaluate the Bluefield State College's (BSC) internal controls over the imprest funds and cash (receipt) collection points. An additional objective was to determine if these internal controls were consistent with the directives conveyed in the West Virginia Code, legislatively approved rules and regulations, as well as, other rules, regulations, policies and procedures. The report covers the period of July 1, 2005 through June 30, 2007

In order to achieve the objectives noted above, we performed the following on the imprest funds and cash collection points located at BSC's main campus and the satellite campuses it shares with New River Community and Technical College (New River):

- a. Reviewed applicable sections of the West Virginia Code, Legislative Rules, as well as other rules and regulations, policies and procedures as they pertain to the imprest funds and the collection of moneys;
- b. Performed cash counts and observed cash collection points;
- c. Conducted interviews with various BSC and New River personnel to determine how revenues were processed. We prepared narratives documenting these procedures and asked the appropriate employees to review these written procedures and to make any needed corrections in an effort to ensure their accuracy;
- d. Evaluated the adequacy of internal controls over the BSC's revenue processing procedures by determining, among other things, if there was adequate separation of the cash receipts and bookkeeping functions, the ability of employees to override the system of internal controls and, if management reports related to receipts processing were generated and, if so, how were the reports used by management;
- e. Determined if all imprest funds were authorized, as required, by the West Virginia State Treasurer's Office.

We performed the cash counts of imprest funds and receipts on hand at BSC collection points on October 9, 2007. The results are set forth on the following pages of this report.

Respectfully submitted,

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

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

May 14, 2008

Stanley D. Lynch, CPA, Audit Manager  
K. Michelle Hodge, Auditor-in-Charge  
Brandy L. McNabb  
Susan E. Tinney

**BLUEFIELD STATE COLLEGE**  
**INTERNAL CONTROLS OVER**  
**IMPREST FUNDS AND CASH COLLECTION POINTS**  
**TABLE OF CONTENTS**

Exit Conference.....	1
Introduction.....	2
Administrative Officers and Staff.....	4
Executive Summary.....	5
General Remarks.....	15
Supplemental Information.....	57
Certificate of Director, Legislative Post Audit Division.....	66

**BLUEFIELD STATE COLLEGE**  
**INTERNAL CONTROLS OVER**  
**IMPREST FUNDS AND CASH COLLECTION POINTS**  
**EXIT CONFERENCE**

We held an exit conference on May 14, 2008 with the President, the Vice-President for Financial and Administrative Affairs, and the Vice-President for Student Affairs for Bluefield State College and all findings and recommendations were reviewed and discussed. The spending unit's responses are included in bold and italics in the Executive Summary and after our findings in the General Remarks section of this report.

**BLUEFIELD STATE COLLEGE**  
**INTERNAL CONTROLS OVER**  
**IMPREST FUNDS AND CASH COLLECTION POINTS**

**INTRODUCTION**

Bluefield State College was established as a black teachers college by an Act of the West Virginia Legislature in 1895 and was integrated after 1954. By the 1960's, the College had a comprehensive four year program of teacher education, arts and sciences, and engineering technology. Gradually a variety of two-year technical programs evolved in response to local needs. In 1975, the Board of Regents transferred administrative control of Greenbrier Center of West Virginia University to Bluefield State College. Also in 1975, the Regents gave approval for Bluefield State College to offer courses, both upper and lower divisions, in Beckley, West Virginia in cooperation with Beckley College, a private two-year institution. In 2003, the Board of Regents transferred administrative control of the Summersville Center of Glenville State College to Bluefield State College. Also, upon the passing of Senate Bill 448, the New River Community and Technical College (NRCTC) under Bluefield State College was independently accredited in July 2005; however, the NRCTC remains administratively linked to Bluefield State College.

Bluefield State College has emerged as a four-year state supported commuter college serving southeastern West Virginia. The College offers baccalaureate and associate degrees. Instructional programs are offered in engineering technologies, business, teacher education, arts and sciences, nursing and health science professions, and a variety of career fields. Students may also complete the non-traditional Regents Bachelor of Arts degree through Bluefield

State College. The College works closely with area two-year colleges in developing two-plus-two degree opportunities for selected baccalaureate level programs whereby the two years completed for an associate degree are applicable toward the baccalaureate degree. Bluefield State College offers a wide variety of courses off campus and through distance learning.

**BLUEFIELD STATE COLLEGE**  
**INTERNAL CONTROLS OVER**  
**IMPREST FUNDS AND CASH COLLECTION POINTS**  
**ADMINISTRATIVE OFFICERS AND STAFF**  
**JUNE 30, 2007**

**Administration**

Dr. Albert L. Walker, Ed.D. ....President  
Donald Smith, Ed.D. .... Vice President for Academic Affairs  
John C. Cardwell, M.A. .... Vice President for Student Affairs  
Shelia Johnson, B.S. .... Vice President for Financial and Administrative Affairs  
James A. Nelson, B.S. ....Assistant to the President/Director of Institutional and Media Relations  
Felica Wooten Blanks, Ph.D...Executive Director of Institutional Development and Advancement  
Tracey Anderson, Ed.D. .... Director of Institutional Research and Assessment  
Thomas E. Blevins, Ed.D. .... Dean of Technology and Virtual College

**BLUEFIELD STATE COLLEGE**  
**INTERNAL CONTROLS OVER**  
**IMPREST FUNDS AND CASH COLLECTION POINTS**  
**EXECUTIVE SUMMARY**

**Lack of Effective System of Internal Control**

1. During the course of our work for this report, it became apparent to us, based on the observed noncompliance with the West Virginia Code, Bluefield State College (BSC) did not have an effective system of internal controls in place to ensure compliance with State laws, rules and regulations as they relate to collections of receipts. We believe an effective system of internal controls would have alerted management to these violations at an earlier date and allowed more timely corrective action.

**Auditors' Recommendation**

We recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and establish an effective system of internal controls in order to allow management to identify and correct areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

**Spending Unit's Response**

*Various findings and recommendations noted by the Legislative Auditors have been corrected...or...are in the process of being corrected.... (See Pages 17-20)*

**Greenbrier Satellite Campus Business Office**

2. The BSC Greenbrier Satellite Campus Business Office deposited approximately \$1.6 million in receipts each fiscal year for 2007 and 2006. Irrespective of the significance of these deposits, we became aware of a critical lack of security and basic safeguards over receipts and imprest change fund moneys that contributed to a known theft or thefts of cash totaling \$932.00.

**Auditors' Recommendation**

We recommend BSC, in conjunction with New River Community and Technical College (New River), implement those additional internal controls over imprest fund moneys and receipts specified in detail in the General Remarks section of this report. We further recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

### **Spending Unit's Response**

*...Transfer of approval of the imprest funds from BSC to NR occurred in the Fall of 2007 after the Legislative Auditors noted the approval had not occurred from the Treasurer's Office... Imprest Funds are now counted and logged....Imprest Funds are kept in a safe when not in use....Bookstore receipts are being delivered in zipped and locked bank bags.... Verification is now being made at the time of delivery; without exception....Bookstore receipts are verified and written on an official receipt then ran through the cash register immediately upon delivery to the Business Office.... Money and receipt books are no longer stored in the Business Office...Two training sessions led by the Director of Business Services for New River Community & Technical College have taken place during the Fall semester for all Business Office employees.... Deposit schedules are being adjusted to align with State Policy....Staffing plans are being evaluated to reorganize all services at New River Community and Technical College....(See Pages 20-30)*

### **Bluefield Campus Business Office**

3. The BSC main campus deposited approximately \$9.9 and \$11.9 million in collections during fiscal years 2007 and 2006, respectively. While reviewing the main campus office imprest change fund, cash collections and the contents in the business office safe, we noted the office's imprest change fund was short by \$50.00; \$1,163.20 in cash collections were held in the safe for approximately 13½ years without being deposited; \$4,134.78 in stale-dated checks and money orders were never deposited; and, two pistols not belonging to BSC were stored in the business office safe.

### **Auditors' Recommendation**

We recommend BSC implement the additional internal controls over imprest fund moneys, receipts and items stored in the safe specified in detail in the General Remarks section of this report. We also recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code; Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended; and Chapter 36, Article 8, Section 2 of the West Virginia Code.

### **Spending Unit's Response**

*...The supervisor of the cashier will make unannounced, surprise "audits" of the imprest fund... All funds received will be deposited in a timely way....The BSC Director of Security has taken the "toy" air pellet pistol to dispose of. Although the Smith & Wesson .38 in the safe was believed by several BSC employees to belong to BSC, there was no documentation to that effect.... cross training of employees will be evaluated and changes made to provide adequate internal controls and proper*

*separation of duties...All funds transmitted from cash collection points are now being transmitted by lock bags... (See Pages 30-36)*

#### **Bluefield Campus Registrar's Office**

4. The Bluefield Campus Registrar's Office operated an unauthorized imprest fund that, at the time of our count, totaled \$60.00. The Registrar's Office did not maintain a ledger record of receivable balances nor did it have adequate follow-up procedures for receivables that remain unpaid after they had been initially billed.

#### **Auditors' Recommendation**

We recommend BSC implement those additional internal controls over receipts collected by the Registrar's Office specified in detail in the General Remarks section this report. Also, we recommend the Registrar's Office either discontinue providing services prior to payments being rendered, or keep an accounts receivable aging schedule with specific follow-up collection procedures for delinquent accounts. Further, we recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

#### **Spending Unit's Response**

*...All payments for transcripts will be received and receipted by the Bluefield State College Business Office...No transcripts will be issued without receipt of payment....The Business Office shall be responsible for refunding over-payments...(See Pages 37-42)*

#### **Bluefield Campus Security Office**

5. We noted the BSC Security Office was short \$9.78 in receipts during our cash count and we were informed by the Director of BSC Public Safety, who manages the office, the office had been a victim of three previous thefts of receipts totaling \$55. All office employees have access to moneys collected, which are kept in the unlocked cash drawer, and the authority to process payments, prepare receipt forms and record payments in the office's computer accounting system.

#### **Auditors' Recommendation**

We recommend the BSC (1) limit access to cash and cash equivalents to a limited number of employees and only one employee per shift. Also, those employees that receive payments should not record the payments in the office's accounting system; (2) require the Security Office establish a procedure whereas the receipts collected are reconciled to the computerized accounting record at the conclusion of each employee work shift; and (3) deposit moneys within 24 hours of receipt in accordance with State

statute. We further recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and Chapter 12, Article 2, Section 2 of the West Virginia Code.

**Spending Unit's Response**

*...Processes are being re-evaluated to ensure segregation of duties exist for receipt processing and access to cash drawer....Discussion will occur to see if the program can be expanded to track receipts... Deposits will be made daily... (See Pages 42-47)*

**Satellite Campus Business Offices**

6. During our report period of July 1, 2005 through June 30, 2007, satellite campus business offices deposited nearly \$5.8 million in receipts. However, our cash count and subsequent documentation of receipt collection procedures disclosed that existing internal controls at satellite campus business offices were inadequate and would likely neither prevent nor detect theft perpetrated by certain employees with job duties incompatible with effective internal controls.

**Auditors' Recommendation**

We recommend BSC work with New River in order to develop procedures that will ensure compliance with Chapter 5A, Article 8 Section 9(b). We also further recommend BSC in conjunction with New River establish internal controls that either segregate the cashier function and the payment recording function among two or more employees, or, if either staffing does not permit such segregation of duties or the cost of such segregation outweighs the possible benefits, establish a procedure of management oversight and document review of these functions designed to detect fraud, as well as inadvertent employee errors.

**Spending Unit's Response**

*Staffing plans are being evaluated to reorganize all services at New River Community and Technical College.... (See Pages 47-49)*

**Bluefield Campus Student Health Center**

7. The BSC Student Health Center failed to comply with State statute which requires moneys to be deposited within 24 hours of receipt. According to BSC staff, the Health Center made one deposit totaling \$911.00 for all moneys collected during our two-year report period of July 1, 2005 through June 30, 2007. Also, the Student Health Center violated the West Virginia State Constitution by extending credit to some staff and faculty for medical supplies and/or flu shots.

### **Auditors' Recommendation**

We recommend the BSC Student Health Center comply with Chapter 12, Article 2, Section 2, of the West Virginia Code, as amended, and deposit moneys within 24 hours of receipt. We further recommend the Center comply with Chapter 10, Article 6 of the West Virginia Constitution and discontinue to the practice of extending credit to staff and faculty for chargeable medical services and develop a management review procedure to provide reasonable assurance collections have been made for chargeable services and moneys collected have been properly deposited into BSC accounts.

### **Spending Unit's Response**

*All fees collected shall be deposited within twenty-four hours of collection.... Log shall be kept on services rendered and fees collected. The Business Office will conduct period audits... No fee services shall be rendered without the payment of the fee. (See Pages 49-51)*

### **Imprest Funds**

8. The BSC failed to obtain the required Treasurer's Office approval for establishment, discontinuance or changes in various BSC imprest change funds as follows: (a) The BSC Main Campus Bookstore transferred \$350.00 of imprest moneys to the Beckley Campus Bookstore; (b) The BSC discontinued and deposited into BSC accounts \$25.00 each from Center for Economic Enhancement imprest fund and the Allied Health Copier Card Account imprest fund; and (c) The BSC established a \$100.00 imprest fund from private moneys at the main campus cafeteria;

### **Auditors' Recommendation**

We recommend BSC comply with Title 112, Series 3 of the Code of State Regulations and submit proper applications to the State Treasurer's Office and gain the proper Treasurer's Office approval for the establishment, discontinuance, or changes in amounts of any BSC imprest funds.

### **Spending Unit's Response**

*...Proper approval has been obtained from the Treasurer's Office... (See Pages 51-54)*

### **Bluefield Campus Testing Center**

9. According to documentation provided by BSC staff, the Bluefield Campus Testing Center (the Center) deposited \$13,394.00 and \$11,845.00 during fiscal years 2007 and 2006, respectively. During the documentation of procedures, we determined the Center does not deposit moneys within 24 hours of receipt as required by State statute; rather, deposits are made either weekly or semi-weekly, depending on the amount of moneys

collected since the Testing Center's previous deposit. Also, the Center makes no effort to return overpayments if the overpayment is discovered after the person that remitted the overpayment departed the Center.

### **Auditors' Recommendation**

We recommend the College deposit cash collections within 24 hours of receipt in accordance with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended. Additionally, we recommend BSC comply with Chapter 18B, Article 10, Section 1 of the West Virginia Code, as amended, and collect and deposit only those fees for which it has authority to collect. We further recommend BSC develop receipt collection procedures that lessen the chance of failing to detect overpayments and, when overpayments do occur, make reasonable attempts to return the excess payments to the appropriate person that remitted the overpayment.

### **Spending Unit's Response**

*...All testing fees collected shall be deposited within twenty-four hours of collection. A log of fees collected for each test shall be maintained... The Business Office shall be responsible for refunding over-payments... The Business Office will conduct periodic audits... (See Pages 54-56)*

**BLUEFIELD STATE COLLEGE**  
**INTERNAL CONTROLS OVER**  
**IMPREST FUNDS AND CASH COLLECTION POINTS**  
**GENERAL REMARKS**

**INTRODUCTION**

We have completed a special report on the internal controls over Bluefield State College's (BSC) imprest funds and cash collection points. The cash counts were performed on October 9, 2007. The examination covers the period July 1, 2005 through June 30, 2007.

**IMPREST FUNDS**

In order to have moneys available to make change for cash collections, BSC has various imprest funds at collection points located at the main campus and at the satellite campuses. In accordance with the Code of State Regulations, Title 112, Series 3, all State agency imprest funds and corresponding balances must receive the approval of the West Virginia State Treasurer's Office. According to a Treasurer's Office publication of approved imprest funds for fiscal year 2007, BSC has the following authorized imprest funds:

<b><u>Name of Fund</u></b>	<b><u>Location</u></b>	<b><u>Amount</u></b>
Center for Economic Enhancement Account	Bluefield Campus	\$ 25.00
Allied Health Copier Card Account	Bluefield Campus	\$ 25.00
Business Office	Summersville Satellite Campus	\$ 350.00
Greenbrier Community College Center Book Store Change Fund	Greenbrier Satellite Campus	\$ 600.00
Bookstore Change Fund	Bluefield Campus	\$4,000.00

<b><u>Name of Fund</u></b>	<b><u>Location</u></b>	<b><u>Amount</u></b>
Book Store	Summersville Satellite Campus	\$1,000.00
Greenbrier Community College Center Book Store Change	Greenbrier Satellite Campus	\$ 600.00
Business Office – Student Account Receivable	Beckley Satellite Campus	\$ 600.00
Business Office – Change Fund	Bluefield Campus	\$2,500.00

### **CASH COLLECTION POINTS**

BSC has various receipt collection points located throughout the main campus, as well as satellite campuses. According to BSC staff, the following is a comprehensive list of BSC receipt collection points:

<b><u>Collection Point</u></b>	<b><u>Location</u></b>
Bookstore	Bluefield Campus
Business Office	Bluefield Campus
Cafeteria	Bluefield Campus
Testing Center	Bluefield Campus
Security Office	Bluefield Campus
Registrar's Office	Bluefield Campus
Copy Card Machines	Bluefield Campus
Student Health Center	Bluefield Campus
School of Nursing and Allied Health	Bluefield Campus
Athletics - (Basketball Games)	Bluefield Campus
Library	Bluefield Campus
Bookstore	Beckley Satellite Campus
Business Office	Beckley Satellite Campus

<u>Collection Point</u>	<u>Location</u>
Bookstore	Summersville Satellite Campus
Business Office	Summersville Satellite Campus
Bookstore	Greenbrier Satellite Campus
Business Office	Greenbrier Satellite Campus
Office at Mt. View High School	Welch Satellite Campus

### Lack of Effective System of Internal Controls

During the course of our field work for this special report, it became apparent to us, based on the observed noncompliance with the West Virginia Code and other rules and regulations, BSC did not have an effective system of internal controls in place over its imprest funds and cash collection points to ensure compliance with applicable State laws, rules and regulations.

Chapter 5A, Article 8, Section 9 of the West Virginia Code 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. . . .”

This law requires the spending unit head to have in place an effective system of internal controls in the form of policies and procedures designed to ensure the spending unit operates in compliance with the laws, rules and regulations which govern it.

During our field work for this report, we found the following violations of State laws or other rules and regulations: **(1)** The BSC Greenbrier Satellite Campus Business Office deposited approximately \$1.6 million in receipts each fiscal year for 2007 and 2006. Irrespective

of the significance of these deposits, we became aware of a critical lack of security and basic safeguards over receipts and imprest change fund moneys that contributed to a known theft or thefts of cash totaling \$932.00; (2) The BSC main campus deposited approximately \$9.9 and \$11.9 million in collections during fiscal years 2007 and 2006, respectively. While reviewing the Bluefield Business Office imprest change fund, cash collections and the contents in the business office safe, we noted the office's imprest change fund was short by \$50.00; \$1,163.20 in cash collections were held in the safe for approximately 13½ years without being deposited; \$4,134.78 in stale-dated checks and money orders were never deposited; and, two pistols not belonging to BSC were stored in the business office safe; (3) The Bluefield Campus Registrar's Office operated an unauthorized imprest fund that, at the time of our count, totaled \$60.00; and the Registrar's Office does not maintain a ledger record of receivable balances nor does it have adequate follow-up procedures for receivables that remain unpaid after they have been initially billed; (4) We noted the BSC Security Office was short \$9.78 in receipts during our cash count and we were informed by the Director of BSC Public Safety, who manages the office, the office had been a victim of three previous thefts of receipts totaling \$55.00. All office employees have access to moneys collected, which are kept in the unlocked cash drawer, and the authority to process payments, prepare receipt forms and record payments in the office's computer accounting system; (5) During our report period of July 1, 2005 through June 30, 2007, satellite campus business offices deposited nearly \$5.8 million in receipts. However, our cash count and subsequent documentation of receipt collection procedures disclosed that existing internal controls at satellite campus business offices were inadequate and would likely neither prevent nor detect theft perpetrated by certain employees with job duties incompatible with effective internal controls; (6) The BSC Student Health Center failed to comply with State statute which

requires moneys to be deposited within 24 hours of receipt. According to BSC staff, the Health Center made one deposit totaling \$911.00 for all moneys collected during our two-year report period of July 1, 2005 through June 30, 2007. Also, the Student Health Center violated the West Virginia State Constitution by extending credit to some staff and faculty for medical supplies and/or flu shots; (7) The BSC failed to obtain the required Treasurer's Office approval for establishment, discontinuance or changes in various BSC imprest change funds as follows: (a) The BSC Main Campus Bookstore transferred \$350.00 of imprest moneys to the Beckley Campus Bookstore; (b) The BSC discontinued and deposited into BSC accounts \$25.00 each from Center for Economic Enhancement imprest fund and the Allied Health Copier Card Account imprest fund; and (c) The BSC established a \$100.00 imprest fund from private moneys at the main campus cafeteria; (8) According to documentation provided by BSC staff, the Bluefield Campus Testing Center (the Center) deposited \$13,394.00 and \$11,845.00 during fiscal years 2007 and 2006, respectively. During the documentation of procedures, we determined the Center does not deposit moneys within 24 hours of receipt as required by State statute; rather, deposits are made either weekly or semi-weekly, depending on the amount of moneys collected since the Center's previous deposit. Also, the Center makes no effort to return overpayments if the overpayment is discovered after the person that remitted the overpayment departed the Center.

We recommend Bluefield State College comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and establish an effective system of internal controls that will serve to alert management to areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

### **Spending Unit's Response**

*Various findings and recommendations noted by the Legislative Auditors have been corrected or, based upon the recent receipt of the written report, are in the process of being corrected. Both Bluefield State College and New River Community and Technical College are committed to providing adequate internal controls and insuring the safeguarding of assets at both institutions. We welcome recommendations to ensure compliance with state code and policies and improve processes.*

*The following are cash collection points and approved imprest funds by institution:*

#### ***Bluefield State College (BSC):***

***Center for Economic Enhancement (closed)***

***Allied Health Copier Card Account (closed)***

***Bookstore Greenbrier***

***Bookstore Beckley***

***Bookstore Summersville***

***Bookstore Bluefield***

***Business Office Bluefield***

***Cafeteria Bluefield***

***Testing Center Bluefield (collection point only)***

***Security Office Bluefield (collection point only)***

***Registrar's Office Bluefield (collection point only)***

***Student Health Center Bluefield (collection point only)***

***Athletics Bluefield (collection point only)***

***Library Bluefield (collection point only)***

#### ***New River Community and Technical College (NR):***

***Business Office Summersville***

***Business Office Beckley***

***Business Office Greenbrier***

### **Greenbrier Satellite Campus Business Office**

The Bluefield State College (BSC) Greenbrier Satellite Campus Business Office deposited approximately \$1.6 million in receipts each fiscal year for years 2007 and 2006. Irrespective of the significance of these deposits, we became aware of a critical lack of security and basic safeguards over receipts and imprest change fund moneys after we performed a cash count, reviewed agency documents and conducted interviews with various Greenbrier Campus and BSC Main Campus staff, as follows:

1. On or before August 15, 2007, \$482.00 was stolen from the business office's \$600.00 imprest change fund.
2. During the period of August 14, through August 16, 2007, \$450.00 was stolen from two consecutive days' receipts collected by the campus bookstore. At the time of the theft, the moneys were being held in the campus business office awaiting deposit processing.
3. A Greenbrier Campus Business Office cashier erroneously gave a student \$112.00 in cash. The moneys were subsequently recovered from the student.
4. Miscellaneous receipts (e.g., bookstore, charges for transcripts, parking fines, testing fees, etc.) collected by the business office are held for up to a week before they are processed for deposit. Further, these receipts are held in an unsecured location under the business office window.
5. One employee is responsible for posting transactions in the accounting records and collecting payments. We believe the lack of segregation of these functions substantially increases the risk fraud could be committed and not be detected by agency controls.

The Agreement on the Division of Assets and Liabilities between BSC and the New River Community and Technical College, effective on July 1, 2005, states in part,

"...BSC will transfer petty cash on record for Lewisburg (Greenbrier County) and Nicholas County campuses in the Business Offices the sum of \$950 (\$600 and \$350 respectively)..."

However, at the time of our cash count, the authority for a \$600.00 imprest change fund was granted by the State Treasurer's Office to BSC; although, the Greenbrier Satellite Campus is currently considered a branch campus of the New River Community and Technical College (New River). Regardless of the campus affiliation, both BSC and New River offer classes at the Greenbrier Campus. Also, some employees of the satellite campus – such as those of the bookstore – are paid from BSC accounts, while other employees – such as those of the business office – are paid from New River accounts.

### **Imprest Change Fund**

According to the Supervisor of Student Accounts for the Greenbrier Campus Business Office, the theft of the \$482.00 from the imprest change fund was discovered at the end of the business day on August 15, 2007, when a count of the fund revealed only \$118.00 of the \$600.00 fund balance was on-hand. However, since a total count of the imprest change fund was not routinely performed by business office staff, a definitive date of when these moneys were stolen cannot be determined. According to business office staff, the fund was routinely kept both day and night in an unlocked desk drawer in the business office.

The August 15, 2007 count of the imprest fund was performed in an attempt to resolve a \$112.00 cash shortage in business office receipts for the day – otherwise, according to BSC written documents describing the incident, the count would not have been performed. It was soon determined the \$112.00 shortage was caused by a business office cashier erroneously giving a student \$112.00 in cash from the register, which was later recovered from the student. The circumstances involving this error are described below (See ***Business Cashier Error***). However, neither how nor when the \$482.00 was stolen could be determined.

### **Bookstore Receipts**

Also, as stated above, \$450.00 was discovered missing from the bookstore's cash receipts, which were being held at the business office awaiting deposit. These missing moneys were discovered on August 16, 2007 by the same business office employee that discovered the missing imprest fund moneys. Of the \$450.00 bookstore receipts stolen, \$200.00 was stolen from August 14, 2007 sales receipts and \$250.00 was stolen from August 15, 2007 sales receipts.

According to the Bookstore Assistant for the Greenbrier Campus Bookstore, before bookstore receipts are delivered to the campus business office at the conclusion of each

business day, all receipts are counted and reconciled to the bookstore's cash register records. A "Daily Balance Form" is used to record the results of the reconciliation. The Bookstore Assistant told us there were no differences when she performed and recorded the reconciliations on the Daily Balance Form for both the August 14<sup>th</sup> and the August 15<sup>th</sup> bookstore collections.

After the Bookstore Assistant completed a reconciliation for each day and documented the results on the Daily Balance Form, a completed bank deposit ticket, the cash register tape and the daily receipts (cash, checks and credit card slips) were delivered to the business office by a student employee. The two days of bookstore receipts totaled \$33,756.27, of which \$11,816.42 was in cash. The August 14<sup>th</sup> receipts totaling \$21,174.84 were delivered at the end of the business day inside a "zipper bank bag" and, since the zipper bag was not returned to the bookstore after these receipts were delivered, the August 15<sup>th</sup> receipts totaling \$12,581.43 were delivered at the end of the business day inside an "inter-office envelope."

Upon delivery of each day's bookstore receipts, the Supervisor of Student Accounts signed the Daily Balance Form and the deposit ticket signifying the bookstore receipts had been received intact by the business office. These forms were copied and the copies were returned by the student employee to the bookstore for their records. However, according to a memorandum prepared by the BSC Accounting Supervisor, the Business Office Supervisor of Student Accounts never opened either the deposit bag or the envelope to verify if the receipts balanced to the enclosed cash register tapes.

After receiving the money, the Supervisor placed these moneys in a wire basket located on a shelf in an unsecured area of the office. It is possible for a person outside of the business office to access receipts placed in the wire basket by reaching through the business office window. Moreover, a memorandum prepared by a BSC employee said that, when

necessary to help a student, any employee with a key to the business office may enter the office after business office hours. It wasn't until August 16<sup>th</sup>, when the business office cashier began to prepare the bookstore receipts for deposit, that the \$450.00 shortage was discovered.

The Vice President for Financial and Administrative Affairs for BSC provided us with the police report for the theft. The report, dated August 27, 2007, states in part:

“On Monday, August 27<sup>th</sup>, 2007, this officer was made aware of a larceny at the New River Community and Technical College located in Lewisburg, W.V. Upon speaking with...the Supervisor of Student Accounts, it was learned there was a loss of at least \$450 in cash from the campus book store. The discrepancy was found when comparing the cash register receipts with the money turned in for deposits....the loss occurred between August 10<sup>th</sup> and August 15<sup>th</sup>. This investigation is continuing....SUPPLEMENTAL NOTE: After the initial reporting of this incident, it was further learned...that the business office had \$482.00 missing from their cash box during the same time period....”

### **Business Office Cashier**

As mentioned earlier, a Greenbrier Campus Business Office cashier erroneously gave a student \$112.00 in cash. According to an August 18, 2007 memorandum prepared by the BSC Accounts Receivable Supervisor, BSC records indicated the student had been awarded two grants. In addition to a “West Virginia Grant,” the student presented the cashier with a “paper stating she had received a Gear Up award of \$1,000.00 for the year (\$500 per semester).” The total of the two grants awarded to the student for the 2007 fall semester exceeded the amount of tuition and fees due from the student by \$112.00.

Although, the “Gear Up” grant had been awarded, it had yet to be received by either the school or the student. Furthermore, the policy of the campus business office is to provide an eligible student with a “bookstore authorization” rather than cash when awards

*received by the school* exceed the amount due for tuition and fees. The student was informed of the error and repaid the business office the \$112.00 by personal check on October 7, 2007.

### **Miscellaneous Receipts**

An assortment of receipts (e.g., bookstore, charges for transcripts, parking fines, testing fees, etc.) are collected by the business office. When these moneys are received, the Supervisor of Student Accounts places them on a shelf in an unsecured location under the Business Office window. These receipts are routinely kept on the shelf for up to a week before they are processed for deposit.

### **Segregation of Incompatible Accounting Functions**

The same Greenbrier Campus Business Office employee is responsible for posting transactions in the Banner accounts receivable system and collecting payments as the business office cashier. We believe the lack of segregation of these functions substantially increases the risk that fraud may be committed and not be detected by agency controls. Fraud could be perpetrated by the employee receiving a payment, recording the payment in the accounts receivable system and keeping the money for personal use.

### **Criteria**

Chapter 5A, Article 8, Section 9 of the West Virginia Code 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. . . .” **(Emphasis Added)**

Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, states in part,

“...All officials and employees of the state authorized by statute to accept moneys due the state of West Virginia...**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**)

### **Recommendations**

After conducting our cash count, interviewing Greenbrier Campus staff and reviewing various documents and memorandums related to receipt processing and the theft of the moneys from the business office, we have noted substantial weaknesses in the Greenbrier Satellite Campus' internal control policies and practices over receipt collections and the imprest change fund moneys. The following is an itemized list of these weaknesses (bolded and underlined), followed by our recommended corrections (italicized):

- **Amount in Imprest Change Fund Not Verified:** *All business office moneys, including receipts and the imprest change fund, should be reconciled and verified at the conclusion of each work day -- or at the end of each cashier's shift, if applicable. All counts should be recorded on a reconciliation form and the form should be signed by the cashier. Also, the cashier's immediate supervisor should re-perform the cash counts and, if no exceptions are noted, record his or her signature approval on the form.*
- **Imprest Change Fund Kept in Unlocked Drawer:** *The imprest change fund should always be kept in a locked drawer or safe when not being used by the cashier to make change. Also, to the extent possible, access should be limited to the employee responsible for the funds safekeeping--with one or two additional employees functioning as backup. Surprise counts of the fund should be conducted periodically by accounting employees who work outside of the business office.*
- **Bookstore Receipts Delivered to Business Office in Unsecured Containers:** *After bookstore receipts are reconciled by the appropriate bookstore employee, the moneys should be delivered to the business office in a locked money bag. A key to the bag should be kept in a secure location in the bookstore. Access to the keys should be specified and limited to the extent practical. The employee, who*

*delivers the receipts, particularly if it is not the bookstore employee responsible for the reconciliation, should not have access to the contents of the money bag.*

- **Bookstore Receipts Delivered to Business Office Not Verified:** *Prior to one person assuming custody of highly liquid assets (such as cash and other receipts) from another person, the individual assuming the responsibility should verify that the moneys and the accompanying supporting documents are in agreement – to do otherwise is to omit one of the most fundamental tenets of good internal controls. It is particularly egregious when the person “signs off” when accepting the responsibility, as done by the Supervisor of Accounts for the Greenbrier Campus Business Office, without performing such verification.*
- **Bookstore Receipts Kept Two Days in a Highly Visible and Unsecured Location in the Business Office :** *Leaving over \$33,000 in receipts, of which more than \$11,000 was in the form of cash, in an unsecured wire basket in the business office can only be characterized as a careless disregard for public property. The problem is further compounded when receipts are not processed and deposited in a timely fashion. Receipts should be kept in a secure location, such as a locked safe, with specified and limited employee access. Also, receipts should be processed and deposited as soon as practical and within 24 hours of receipt, as dictated by State statute.*
- **Failure to Control Access to the Business Office:** *The risk of theft and errors is increased by permitting non-business office employees regular access to the Business Office. This risk is further compounded since moneys are often kept in unsecured areas of the business office. We believe only trained employees should be assisting students in business office matters and that access to the Business Office should be limited to those employees and their immediate supervisor in order to minimize the risk of fraud and errors.*
- **Failure to Adequately Train Staff:** *The Business Office Cashier gave \$112.00 cash for change when it was not warranted. According to cashier, she was unaware that she should not give change when a student has paper work indicating the student is to receive grants for a semester in excess of tuition and fees. We recommend the business office provide training for cashiers in handling the various situations encountered while working in that capacity.*
- **Untimely Processing of Miscellaneous Payments:** *Bookstore receipts, charges for transcripts, parking fines, testing fees, etc. are often placed on a shelf in an unsecured location under the Greenbrier Campus Business Office window and held for up to a week before they are processed. We recommend the Business Office enter transactions in the cash register at the time of receipt and deposit these moneys within 24 hours of receipt.*

- **Lack of Segregation of Duties:** *We recommend the Greenbrier Campus Business Office segregate the cashier function and payment posting function. We believe institutions significantly large, such as the BSC and New River, should have adequate staffing to make such segregation of duties readily achievable.*

The BSC Accounts Receivable Supervisor told us no additional incidents have occurred, other than those described above, where moneys have been lost or stolen from the office. Nevertheless, considering the office's lack of safeguards over such highly liquid assets, we believe ample opportunities have existed for other such thefts or losses. It is our opinion that if these weaknesses remain uncorrected future thefts and losses are probable. Therefore, we recommend BSC, in conjunction with New River Community and Technical College, comply with our recommendations and establish the additional internal controls stipulated above at the Greenbrier Campus Business Office as soon as possible. Additionally, we recommend the BSC inform the State Treasurer's Office of the stolen imprest fund moneys and seek approval to have the fund replenished to its former balance. We further recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

### **Spending Unit's Response**

*The Greenbrier Satellite Campus Business Office is under the supervision of New River Community and Technical College. As per SB 401, the split of assets and liabilities occurred July 1, 2005 and was transferred as of that date as stated in the audited financial statements and as approved by both institution's Board of Governors. Transfer of approval of the imprest funds from BSC to NR occurred in the Fall of 2007 after the Legislative Auditors noted the approval had not occurred from the Treasurer's Office. The following represent responses and corrections that have taken place or plan to occur in the following weeks based upon recommendations recently received from the Legislative Auditors:*

- *Amount in Imprest Change Fund Not Verified*
  - *Imprest Funds are now counted and logged. A new form will be developed and approved within thirty days. The Imprest Fund will be counted at the start and close of each day. An additional employee will verify amount and sign form.*
- *Imprest Change Fund Kept in Unlocked Drawer*
  - *Imprest Funds are kept in a safe when not in use. Access is only granted to the Business Office employee and the Dean of the Campus. The Dean of the Campus will conduct two unannounced counts per month and the counts will be documented. Funds have been replenished to the imprest funds.*
- *Bookstore Receipts Delivered to Business Office in Unsecured Containers*
  - *Bookstore receipts are being delivered in zipped and locked bank bags. The Business Office cashier is the only person with a key to said bag.*
- *Bookstore Receipts Delivered to Business Office Not Verified*
  - *Verification is now being made at the time of delivery; without exception.*
- *Bookstore Receipts Kept Two Days in a Highly Visible and Unsecured Location in the Business Office*
  - *Bookstore receipts are verified and written on an official receipt then ran through the cash register immediately upon delivery to the Business Office. If the daily deposit to the bank has been made before the Bookstore deposit is brought to the office, the receipts are locked in the safe until the next deposit is made to the bank.*
- *Failure to Control Access to the Business Office*
  - *Money and receipt books are no longer stored in the Business Office; they are now placed in a safe which is in the safe room located in the Assistant to the Dean's office. Keys to such room are restricted to Business Office cashier, Assistant to the Dean, and the Dean of the Campus. Plans to purchase a larger safe are in the future.*

- *Failure to Adequately Train Staff*
  - *Two training sessions led by the Director of Business Services for New River Community & Technical College have taken place during the Fall semester for all Business Office employees. Continued training and guidance are provided by the BSC Supervisor of Accounts Receivable and/or the BSC Accounting Assistant.*
- *Untimely Processing of Miscellaneous Payments*
  - *Deposit schedules are being adjusted to align with State Policy. When receipts are not taken to the bank for deposit, they are kept in the safe which has restricted access. Discussion of closing the Business Office for a specified period of time each day to allow for the closeout of register and reporting necessary for the deposit is currently underway.*
- *Lack of Segregation of Duties*
  - *Staffing plans are being evaluated to reorganize all services at New River Community and Technical College. This area will be part of the discussion.*

### **Bluefield Campus Business Office**

The BSC main campus deposited approximately \$9.9 and \$11.9 million in collections during fiscal years 2007 and 2006, respectively. While reviewing the Bluefield Business Office imprest change fund, cash collections and the contents in the business office safe, we noted the following:

1. The Bluefield Campus Business Office \$2,500.00 imprest change fund was short by \$50.00;
2. A total of \$1,163.20 in cash collections had been held in the safe for approximately 13½ years;
3. A total of \$4,134.78 in stale-dated checks and money orders were never deposited;
4. A .38 caliber pistol and a .177 caliber air pistol were stored in the business office safe. BSC staff stated that the pistols neither belonged to BSC nor to any of its current employees; and,

5. There is a lack of segregation of duties between the cashier function and payment posting function in the business office.

**Missing Moneys from Imprest Change Fund**

The Bluefield Campus Business Office has a Treasurer's Office approved cash imprest change fund of \$2,500.00; however, our cash count of the fund revealed a balance of \$2,450.00—which meant the fund was short by \$50.00. During the count, we observed that one bundle of five dollar bills contained only ten bills (\$50.00), instead of the usual 20 bills (\$100.00). These missing bills could not be accounted for in any other location and, according to the cashier, the bundle should have contained 20 bills. Three business office employees have access to the imprest fund and the business office cash register.

The Accounts Receivable Supervisor for the business office said she did not know prior to our count that the imprest fund was short. Also, she was unable to offer an explanation for the shortage. We were told by BSC business office staff that business office employees usually do not unbundle bills when moneys are counted at the end of each business day. Therefore, it is impossible to set a time frame of when the moneys were either stolen or lost.

**Cash Receipts Held in Safe for 13 ½ Years**

During our examination of the contents held in the business office safe, we observed \$1,163.20 in cash receipts in a tape-sealed cardboard box. A "Daily Log Sheet" dated May 18, 1994 was inside the box with the cash. According to this log sheet, the cash was collected from a pay operated copy machine located at the Greenbrier Satellite Campus. Apparently, the moneys were forwarded to the Bluefield Business Office by the satellite campus for deposit; however, instead of being deposited, the receipts were placed in the business office safe and remained there for approximately 13½ years until discovered by us while we were

examining the contents kept in the safe. The Business Office employees told us they were unaware the cash was in the safe and could offer no explanation of why the cash had never been deposited.

**Stale-Dated Checks and Money Orders**

Also, while examining the contents in the business office safe, we discovered four checks and two money orders totaling \$4,134.78 that were never deposited. Since these checks and money orders have been held anywhere from approximately 4.4 to 7.5 years, they are currently stale-dated and, therefore, the financial institutions on which they are written are under no obligation to honor them. The following schedule provides further details:

<b><u>Check/Money Order</u></b>	<b><u>Date</u></b>	<b><u>Payee</u></b>	<b><u>Years Held</u></b>	<b><u>Amount</u></b>
Money Order	04/17/2000	Bluefield State College**	7.5*	\$ 300.00
Money Order	04/17/2000	Bluefield State College**	7.5*	100.00
Personal Check	11/01/2000	Bluefield State College	6.9*	129.00
Personal Check	11/08/2000	Bluefield State College	6.9*	129.00
Personal Check	11/07/2001	Bluefield State College**	5.9*	297.00
Insurance Check	05/21/2003	Bluefield College**	4.4*	<u>3,179.78</u>
			<b>TOTAL</b>	<b><u>\$4,134.78</u></b>

\* Years elapsed from check/money order date until the date discovered during our cash count.

\*\* A memorandum dated October 9, 2007 from the Accounts Receivable Supervisor indicated these payments were from students “attempting to pay a foundation loan.”

The business office staff said they were unaware the checks and money orders were in the safe and they could offer no explanation as to why they were never deposited. Since the aforementioned cash, checks and money orders were in the safe for such an extended period, we believe the possibility exists that, prior to our examination of the items in the safe, there may

have been additional moneys or other items of value in the safe that could have been stolen without consequence.

### **Pistols Stored in Safe**

Finally, we found two guns in the business office safe -- a Smith & Wesson .38 caliber Chiefs Special Model No. 36 and a CROSMAN .177 caliber air pellet pistol. These guns were not included on a BSC inventory list and, according to BSC administrative staff, the guns neither belonged to BSC nor to any of its current staff. BSC employees were unable to tell us with any assurance who owned the guns or why they were located in the safe. The BSC campus business office staff told us there had been talk "that guns were in the safe;" however, they added that no one from the current business office staff had actually seen the guns. Since, BSC does not own the guns, we believe BSC should ask State Treasurer's Office Unclaimed Property Division for guidance as to whom and how BSC should relinquish the weapons.

### **Segregation of Incompatible Accounting Functions**

One BSC Campus Business Office employee is responsible for posting transactions in the Banner accounting system. This employee also frequently receives payments remitted at the business office. We believe the lack of segregation of these functions substantially increases the risk of employee fraud. Fraud could be perpetrated by the employee receiving a payment, recording the payment as paid in the accounts receivable system and keeping the money for personal use.

### **Criteria**

Chapter 5A, Article 8, Section 9 of the West Virginia Code 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. . . ." (**Emphasis Added**)

Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, states in part,

"...All officials and employees of the state authorized by statute to accept moneys due the state of West Virginia...**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**)

Chapter 36, Article 8, Section 2 of the West Virginia Code, states in part,

"...(a) **Property is presumed abandoned** if it is unclaimed by the apparent owner during the time set forth below for the particular property:...

(17) All other property, **five years after the owner's right to demand the property** or after the obligation to pay or distribute the property arises, whichever first occurs...." (**Emphasis Added**)

### Recommendations

Internal controls over the Bluefield Campus Business Office show significant weaknesses in safeguarding assets and depositing receipts. The following is an itemized list of these weaknesses (bolded and underlined), followed by our recommended corrections (italicized):

**Amount in Imprest Change Fund Not Verified:** *Access to the safe should be limited to the extent practical. All business office moneys, including receipts and the imprest change fund, should be fully counted at the conclusion of each work day, or if more than one cashier works during the course of a business day, at the end of the cashier's shift. Also, the cashier's immediate supervisor should re-perform the cash counts and, if no exceptions are noted, record his or her signature approval on the form.*

**Cash, Checks, and Money Order Receipts Not Deposited:** *All receipts should be deposited within 24 hours of receipt. A copy of a validated deposit ticket should be returned to the remitting section/division, if applicable, as further evidence that moneys remitted by them were properly deposited. Also, at least monthly, a reconciliation should be performed between the receipts recorded in the BSC's Banner Receipts Module and the deposits recorded in WVFIMS. All discrepancies should be investigated and resolved. The reconciliation should be performed by an employee that is not charged with either receiving payments or making deposits.*

**Pistols Stored in Safe:** *All items in the business office safe should undergo regular inventory checks conducted by two or more responsible employees. One of these employees should not be an employee of the business office. All items should be documented and all items of value that are not the property of BSC should be remitted to the Treasurer's Office Unclaimed Property Division.*

**Lack of Segregation of Incompatible Duties:** *We recommend the Bluefield Campus Business Office segregate the cashier and accounts receivable functions to decrease the risk of fraud. We believe institutions significantly large, such as the BSC, should have adequate staffing to make such segregation of duties readily achievable.*

We believe the imprest fund shortage and the failure of the BSC to deposit payments received by the BSC Campus Business Office are consequences of inadequate internal controls and management oversight. It is our opinion that if these inadequacies remain uncorrected, there is a high potential BSC will incur additional deposit errors and thefts.

We recommend BSC comply with those specific recommendations listed above and strengthen internal controls over the Bluefield Campus Business Office imprest change fund and receipt collections. We further recommend the BSC inform the State Treasurer's Office of the \$50.00 missing from the imprest change fund and complete the necessary Treasurer's Office forms necessary to replenish the imprest fund to its original \$2,500.00 balance. Finally, we recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code; Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended; and Chapter 36, Article 8, Section 2 of the West Virginia Code.

### Spending Unit's Response

- *Amount in Imprest Change Fund Not Verified*
  - *The supervisor of the cashier will make unannounced, surprise “audits” of the imprest fund, along with other finance staff on a regular basis.*
  
- *Cash, Checks, and Money Order Receipts Not Deposited*
  - *All funds received will be deposited in a timely way. An operating letter is being developed to report monthly all items held in the safe and evaluation will occur if items are there for an extended period of time. Reconciliation of BSC's Banner Receipts Module and the deposits in WVFIMS is being evaluated. The reconciliation of daily receipts into WVFIMS will occur by an employee outside of receiving payments or making deposits.*
  
- *Pistols Stored in Safe*
  - *The BSC Director of Security has taken the “toy” air pellet pistol to dispose of. Although the Smith & Wesson .38 in the safe was believed by several BSC employees to belong to BSC, there was no documentation to that effect. The pistol has been searched through federal authorities and no evidence exists to it being related to illegal activities. The pistol, per the direction of the Unclaimed Property Division, has been turned over to the State Police.*
  
- *Lack of Segregation of Incompatible Duties*
  - *The cashier does not detail the student accounts. The student account detailing is completed by an Accounting Assistant, which allows for segregation of duties. When the cashier is absent, or it is the beginning of each semester and very busy, the Accounting Assistant may perform some cashiering duties. This cross training of employees will be evaluated and changes made to provide adequate internal controls and proper separation of duties for cashiering responsibilities. The \$50 shortage in the imprest funds has been replenished.*
  
- *All funds transmitted from cash collection points are now being transmitted by lock bags, or additional lock bags are being purchased for those currently not transported by lock bags.*

### **Bluefield Campus Registrar's Office**

During fiscal years 2007 and 2006, the Bluefield Campus Registrar's Office (the office) deposited approximately \$6,900.00 and \$7,300.00, respectively, into BSC accounts. While counting the office's change fund and documenting the receipt collection procedures, we noted the following:

1. The office was operating an unauthorized imprest fund that, at the time of our count, totaled \$60.00;
2. Even though the office has accounts receivables, the office does not maintain a ledger record of receivable balances nor does it have adequate follow-up procedures for receivables that remain unpaid after they have been initially billed;
3. There are weaknesses in procedures in internal controls related to receiving and recording payments.
4. Unless requested, receipt forms are not prepared and given to students and alumni when payments are remitted; and,
5. Receipts are not deposited within 24 hours of receipt as required by State statute.

### **Unauthorized Imprest Fund**

Upon counting the cash and cash equivalents collected in the Bluefield Campus Registrar's Office for transcript fees and reconciling these moneys to the receipt book, we determined BSC had an imprest change fund totaling \$60.00, which was not on the list of bank accounts authorized by the State Treasurer's Office. The Records Officer informed us the imprest fund has no set dollar amount but usually ranges anywhere from \$50.00 to \$60.00. The moneys are primarily derived from overpayments for transcript fees; however, at the time of our cash count, the fund contained \$2.00 of the Records Officer's personal moneys. Overpayments not needed for the change fund are deposited into BSC accounts. The Records Officer said this

procedure has been in place for approximately three years. The Vice President for Financial and Academic Affairs told us she was unaware the Registrar's Office had an imprest fund.

**No Accounts Receivable Ledger or Follow-up Procedure for Unpaid Accounts**

The Bluefield campus Registrar's Office processes requests from students and alumni for copies of grade transcripts. The first transcript is free and a \$5.00 fee is charged for each additional transcript. The Records Officer told us she will process transcripts for the customer and, if chargeable, prepare and mail an invoice to the customer and manually place a hold on the customer's account in the Banner accounting system. The Banner system hold prevents students that are charged a fee for transcripts from receiving grades or registering for classes until the transcript bill is paid and the hold released. However, this hold has little incentive for alumni to render payment. Also, while documenting the office's billing and receipt procedures, we noted there is no record of accounts receivables kept and no further attempts are made to collect transcript fees due BSC after a customer's initial billing.

**Weaknesses in Internal Controls Over Cash Collections and Recording Payments**

When payment for transcripts are received, the Records Officer places the money in the locked file cabinet and will remove the hold from the student's or alumnus' account in the Banner system. Thus, there is no segregation of duties between the cashier functions and recording of payments in the Registrar's Office. Good internal controls require that these job functions either be segregated among two or more employees or, if staffing does not permit such segregation, extensive management oversight be exercised to deter possible fraud.

Since no segregation of duties exist between receiving and recording payments and there is no offsetting management review or reconciliation procedure of deposits to payments, the Registrar's Office has no procedure in place that would deter an employee from

not placing a hold on the student or alumni account in the Banner system, not completing a receipt and converting the payment for personal use or, alternatively, recording the hold on the student or alumni account in the Banner system, providing the service, not completing a receipt and converting the payment for personal use.

**Receipt Forms Not Prepared When Payments are Received**

Unless a receipt form is requested by the customer, the Registrar's Office employee that accepts payment does not provide one to the customer as evidence of payment. This is true regardless of whether the payment is made in person or by mail. Rather, the Records Officer told us that on the day the moneys are taken to the Business Office for deposit (approximately every one to two weeks), she prepares the pre-numbered receipt form for each payment received. Therefore, there is no procedure in place that would deter an employee from excluding the preparation of a receipt form from one or more payments and converting the corresponding payments for personal use. This risk is further compounded by the fact that many of the payments for transcripts are made by cash.

**Deposits Not Made Timely**

We were told the Registrar's Office deposits receipts about every one to two weeks. Amounts vary, but during our report period deposits ranged from \$301.00 to \$785.00. Failure to deposit receipts timely increases the risk that moneys may be lost or stolen.

**Criteria**

Legislative Rule Series 3, Title 112, states in part,

"...3.1 Any state agency requiring the establishment of an imprest fund **shall make application to the Treasurer** on the forms prescribed by him or her..." (**Emphasis Added**)

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, 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. . . .” **(Emphasis Added)**

Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, states in

part,

“...All officials and employees of the state authorized by statute to accept moneys due the state of West Virginia...**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)**

### **Recommendations**

After conducting our cash count and interviewing campus staff, we have noted substantial weaknesses in the Bluefield Campus Registrar’s Office internal control policies and practices over receipt collections. The following is an itemized list of these weaknesses (bolded and underlined), followed by our recommended corrections (italicized):

**Unauthorized Imprest Fund:** *The Registrar’s Office operates an imprest change fund consisting primarily of overpayments made for transcripts. Additional overpayments not needed for the change fund are deposited into BSC accounts. Since this fund is not authorized by the Treasurer’s Office as required by Title 112, Series 3 of the Code of State Regulations, it falls outside of the Treasurer’s Office control and oversight. We recommend the BSC Registrar’s Office refund all overpayments received from customers. Further, we recommend BSC make application to the State Treasurer’s Office for the establishment of an imprest fund for the Registrar’s Office, if deemed necessary.*

**No Accounts Receivable Ledger or Follow-up Procedure for Unpaid Accounts:** *The Registrar’s Office does not keep a list of accounts receivable balances due BSC for transcripts and does not attempt future collections of the outstanding fees beyond the*

*initial billing. We recommend the Registrar's Office discontinue providing services prior to payments being rendered.*

**Lack of Segregation of Duties:** *The Registrar's Office has a lack of segregation of duties between the cashier function and payment posting function. The same employee performs both job duties. We believe the lack of segregation of duties leaves the College susceptible to fraud. Under the Office's current procedures, an employee could collect payments, place or not place a hold on the student or alumni account in the Banner accounting system, not prepare a receipt and confiscate the moneys for personal use. We recommend the Registrar's Office (1) discontinuing providing services prior to payments being rendered, and (2) segregate the cashier and payment posting functions in the Registrar's Office. We believe the office is sufficiently staffed for such segregation of duties to be readily achievable.*

**Receipts are not Prepared at the Time of Payment:** *The Registrar's Office does not prepare receipts at the time of payment; rather, receipts are prepared at the time moneys are forwarded to Business Office--approximately once every one to two weeks. Thus, the possibility exists that moneys received may not be deposited. We recommend the BSC Registrar's Office prepare receipts at the time of payment and give the customer a copy of the receipt.*

**Untimely Deposits:** *The Registrar's Office forwards moneys collected to the Business Office for deposit approximately once every one or two weeks. By not depositing receipts timely, the moneys were not available to be spent for the benefit of the State. Also, failure to make frequent deposits increases the risk that moneys may be lost or stolen. We recommend BSC deposit moneys within 24 hours of receipt in accordance with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.*

We believe the aforementioned weaknesses in internal controls over receipt collections in the BSC Registrar's Office provide significant opportunities for thefts to be committed and for errors to occur with minimal chance of detection. Therefore, we recommend BSC comply with our recommendations and establish additional internal controls over receipts collected by the Registrar's Office. Further, we recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, and Legislative Rule Series 3, Title 112.

### **Spending Unit's Response**

*All processes will be effective immediately and a formal operating letter outlining this process will follow:*

- *All payments for transcripts will be received and receipted by the Bluefield State College Business Office just as applications for graduation are currently processed.*
- *Any mail requesting transcripts which has money/checks enclosed shall be taken to the Business Office after opening the mail and the receipt issued for the money shall be attached to the request; the request shall then be processed.*
- *No transcripts will be issued without receipt of payment.*
- *The Business Office may receive payment by credit card where necessary.*
- *The Business Office shall be responsible for refunding over-payments upon notification by the Registrar's Office of such an over-payment.*

### **Bluefield Campus Security Office**

The Bluefield Campus Security Office (the office) receives revenues for parking fines, traffic citations, replacement of identification cards, and parking permits for full-time faculty and staff. According to documentation provided by BSC, deposits of moneys collected by the office totaled \$10,733.00 and \$9,087.64, respectively, for fiscal years 2007 and 2006. After conducting a cash count of office's receipts on October 9, 2007, and subsequently documenting the procedures over the collection, security and deposit of these receipts, we noted the following:

1. Our cash count revealed a shortage of \$9.78 in receipts collected by the office. Also, the Director of BSC Public Safety (the Director), who manages the office, told us the office was the victim of three previous thefts of receipts totaling \$55;
2. The office does not segregate specific duties among employees. All office employees have access to moneys collected, which are kept in the unlocked cash drawer, and the authority to process payments, prepare receipt forms and record payments in the office's computer accounting system. Therefore, it is not

possible for the office to assign responsibility to any particular employee for any lost or stolen receipts.

3. The office's computerized accounting system is not reconciled to the receipts collected.
4. Receipts are not deposited within 24 hours of receipt, in accordance with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

During our report period, a fee of \$5.00 was charged for parking fines; \$10.00 for moving citations; \$5.00 for replacement ID cards (the first ID card is included in tuition and fees); and \$16.00 per year for full-time faculty and staff parking permits. When parking fines and traffic citations are issued, they are entered into the office's computer accounting system by the Director or an office employee. This system is reviewed once per week (usually each Friday) to determine which fines and citations have exceeded the ten day payment limit. If the parking fines or moving citations are not paid within ten days and if the fine or citation is due from a BSC student, a hold is placed on the student's account in the Banner system by the Director. When a hold is placed on the account, a \$10.00 processing fee is assessed. Only the Director has access in Banner to add or waive holds on student accounts.

### **Cash Count**

During our cash count, we noted there was \$150.22 in cash in the office's cash drawer; however, according to the office copies of receipts completed since the office's last deposit, \$160.00 was collected for fines and citations. Therefore, the office's records indicate that \$9.78 was either stolen or missing as a result of employee error. After verifying our count, the Director agreed the cash drawer was short by the aforementioned \$9.78. He also told us the office was a victim of three previous shortages of \$20.00, \$25.00 and \$10.00, respectively, that

occurred since the beginning of our report period on July 1, 2005. He stated all three shortages were due to theft.

**Unlimited Access to Cash Drawer and Failure to Segregate Receipt Processing Duties**

When the payment is received for a parking fine or traffic citation, the Director or any one of the nine work-study student employees will complete a pre-numbered receipt form from a receipt book and give a copy to the person making payment. Office copies of completed receipts are kept in the receipt book. All of these employees have access to the moneys kept in the unlocked cash drawer during their shifts. Moreover, as many as eight employees may be working the same shift—all of which may process payments. Since the cashier duties are performed by multiple employees, determining the employee responsible for any lost or stolen moneys could very likely be impossible. Further, a reconciliation of the officer's computerized accounting system to collections would not necessarily uncover missing receipts since all office employees that receive cash and prepare receipt forms also record payments in the accounting system. Therefore, an employee could steal receipts and conceal the theft by not entering the receipt of payment in the computerized accounting records.

**Receipts Not Reconciled to Accounting System**

The office does not have a procedure for reconciling receipts collected to the computerized accounting record. If employee duties for recording payments in the accounting system was segregated from the office's cashier functions, such a reconciliation, could deter fraud or, alternatively, detect it after the fact. Such a reconciliation procedure could also detect inadvertent errors made by office staff.

### Untimely Deposits

Once each week, receipts are taken to the BSC Main Campus Business Office to be deposited. Failing to deposit receipts at the end of each business day increases the risk that moneys may be lost or stolen.

### Criteria

Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, states in part,

“...All officials and employees of the state authorized by statute to accept moneys due the state of West Virginia...**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)**

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, 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. . . .”

### Recommendations

We believe the shortages of moneys experienced by the Security Office during our report period and at the time of our cash count were the direct result of weak internal controls over the Security Office's cash collections. The following is an itemized list of these weaknesses (bolded and underlined), followed by our recommended corrections (italicized):

#### **Unlimited Access to Cash Drawer and Failure to Segregate Receipt Processing**

**Duties:** *The Director of Public Safety and, at the time of our cash count, nine work-study students had access to the moneys in the cash drawer at all times during their shifts. Approximately, eight student workers work in the Security Office each semester. All office employees perform cashier functions and record payments in the office's*

*computerized accounting system. Unlimited access to moneys increases the risk of theft and/or loss of cash and cash equivalents and also makes it difficult to determine the person or persons responsible for such thefts or losses. We recommend BSC limit access to cash and cash equivalents to a limited number of employees and only one employee per shift. Also, those employees that receive payments should not record the payments in the office's accounting system. Considering the office works multiple employees each shift, we believe the office should have adequate staffing to make such segregation of job duties readily achievable.*

**Receipts Not Reconciled to Accounting System:** *We recommend the Office establish a procedure whereas the receipts collected are reconciled to the computerized accounting record at the conclusion of each employee work shift. However, the reconciliation procedure will not be reliable in deterring or detecting fraud unless the receipt collection duties and the payment recording functions are properly segregated among two responsible employees.*

**Untimely Deposits:** *The Security Office forwards receipts to the Business Office once each week. By not depositing the collection of cash and cash equivalents timely, the moneys are not available to be spent for the benefit of the State. Also, failing to deposit receipts timely increases the risk they may be lost or stolen.*

If internal controls over cash collections are not strengthened, we believe the Security Office will continue to be victimized by thefts and errors. Therefore, we recommend BSC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, and implement all additional internal control measures as specified above.

**Spending Unit's Response**

- ***Unlimited Access to Cash Drawer and Failure to Segregate Receipt Processing Duties***
  - ***Processes are being re-evaluated to ensure segregation of duties exist for receipt processing and access to cash drawer.***
- ***Receipts Not Reconciled to Accounting System***

- *BSC does not have an electronic system to track receipts for parking fines, etc. The current Information Technology Software is an in-house program designed to track fines; however, it doesn't capture all of the information needed. Discussion will occur to see if the program can be expanded to track receipts, assess the additional \$10 if unpaid within a certain amount of time, etc.*
- *Untimely Deposits*
  - *Deposits will be made daily, within twenty-four hours of receipt, as required by law.*

**Satellite Campus Business Offices**

Based on information provided by BSC staff and compiled by us, satellite campus business offices made the following deposits into BSC and New River accounts during our report period:

<b><u>Campus</u></b>	<b><u>FY 2007*</u></b>	<b><u>FY 2006*</u></b>	<b><u>TOTALS*</u></b>
<i>Greenbrier</i>	<i>\$1,612,579.42</i>	<i>\$1,606,992.88</i>	<i>\$3,219,572.30</i>
<i>Summersville</i>	<i>\$757,367.65</i>	<i>834,737.80</i>	<i>1,592,105.45</i>
<i>Beckley</i>	<i>947,166.03</i>	<i>0.00</i>	<i>947,166.03</i>
<i>Welch</i>	<i>1,323.00</i>	<i>0.00</i>	<i>1,323.00</i>
<b><i>TOTALS</i></b>	<b><u><i>\$3,320,443.10</i></u></b>	<b><u><i>\$2,443,736.68</i></u></b>	<b><u><i>\$5,760,166.78</i></u></b>

*\* Amounts include tuition, fees and collections for Bluefield State College and New River Community and Technical College. All collections made at each respective campus (bookstore, registrar's office, etc.) are included in business office totals.*

Since the internal control issues at the Greenbrier Satellite Campus were so significant and resulted in documented fraudulent acts, they were reported in a separate finding earlier in this report. However, a similar lack of good internal control practices exists at other satellite campuses as well.

Our cash count and subsequent documentation of receipt collection procedures disclosed that existing internal controls at campus business offices were inadequate and would likely not prevent or detect theft perpetrated by certain employees. Specifically, there is a lack

of segregation of duties between the cashier and the recording of payments in the accounting records, since one employee typically performs both functions. Also, we noted no reliable off-setting management oversight or review process in lieu of the aforementioned lack of segregated duties. As a result, a business office employee in a position to collect moneys and with access to accounting records could perpetrate fraud with little threat of detection by the current internal control structure.

Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, states in part,

“...The head of each agency shall: 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....” **(Emphasis Added)**

As is the case with the Greenbrier Campus, effective July 1, 2005 the Beckley and Summersville Satellite Campuses were reorganized as branches of New River Community and Technical College (New River). However, both BSC and New River offer classes at these campuses and, consequently, the business offices at these campuses process both BSC and New River moneys for tuition and fees.

We recommend BSC work with New River in order to develop procedures that will ensure compliance with Chapter 5A, Article 8 Section 9(b). We also further recommend BSC in conjunction with New River establish internal controls that either segregate the cashier function and the payment recording functions among two or more employees, or, if either staffing does not permit such segregation of duties or the cost of such segregation outweighs the possible benefits, establish a procedure of management oversight and document review of these functions designed to detect fraud, as well as inadvertent employee errors.

### **Spending Unit's Response**

- *Staffing plans are being evaluated to reorganize all services at New River Community and Technical College. New River Community and Technical College plans to transition from Bluefield State College and have its own administrative area of Finance. Adequate internal controls and safeguarding of assets will be part of the planning process.*

### **Bluefield Campus Student Health Center**

Bluefield State College collects \$5 per office visit at the Student Health Center (the Health Center) from faculty and staff members when medical supplies or medications are used during an office visit. Also, \$15 per flu shot is collected from students, faculty and staff. The Health Center deposited \$911.00 into BSC accounts on December 20, 2006 for medical fees collections. No other deposits were made by the Health Center during our report period of July 1, 2005 through June 30, 2007. After documenting the receipt collection and recording procedures for the Health Center, we noted the following noncompliance issues:

1. The Health Center failed to comply with State statute which requires moneys to be deposited within 24 hours of receipt. According to BSC staff, the Health Center only made one deposit during our two-year report period of July 1, 2005 through June 30, 2007;
2. The Health Center violated the West Virginia State Constitution by extending credit to some staff and faculty for medical supplies and/or flu shots; and
3. There is no supervisory review to determine if fees were properly assessed and collected.

### **Failure to Deposit Receipts Timely**

The first and only deposit made by the Center during our report period was for \$911.00 on December 20, 2006. This was nearly one and one-half years after beginning of our report period of July 1, 2005. Failing to deposit moneys timely denies the BSC the availability of funds and increases the risk that moneys may be lost or stolen.

### *Extending Credit to Faculty and Staff*

Article 10, Section 6, of the West Virginia Constitution states in part:

**“The credit of the state shall not be granted to, or in aid of any county, city township, corporation or person...” (Emphasis Added)**

The Director of Student Health Services told us that on rare occasions a faculty or staff member will not pay the fee at the time chargeable services are rendered. Rather, the staff relies on the faculty or staff member to deliver payment at a later date. Also, since no accounts receivable record is maintained by the Center, there is no method of determining how much is owed for medical services short of constructing such records from original source documents. Therefore, there is a significant risk that chargeable services will be rendered and no payment ever received if the recipient of the credit for the service either forgets or simply chooses not to pay.

### *Supervisory Review of Deposits*

Considering the amount of moneys collected by the Center are relatively insignificant when compared to the overall collections of BSC, the benefit of segregating the payment receipt functions and record keeping functions cannot be justified. However, we recommend that management develop a procedure whereas an employee independent of the Center matches the Center's source documentation for chargeable services offered by the Center to the corresponding deposits made from moneys collected. This audit procedure could be conducted on a sample basis and at time intervals that would warrant the cost of implementation.

### **Recommendations**

We recommend the Health Center comply with Chapter 12, Article 2, Section 2, of the West Virginia Code, as amended, and deposit moneys within 24 hours of receipt. We further recommend the Health Center comply with Chapter 10, Article 6 of the West Virginia Constitution and discontinue to the practice of extending credit to staff and faculty for chargeable medical services. Finally, we recommend the Health Center develop a management review procedure to provide reasonable assurance that collections have been made for chargeable services and that moneys collected have been properly deposited into BSC accounts.

### **Spending Unit's Response**

*All processes shall be effective immediately and a formal operating letter outlining this process will follow:*

- *All fees collected shall be deposited within twenty-four hours of collection.*
- *Log shall be kept on services rendered and fees collected.*
- *The Business Office will conduct period audits to insure that this procedure is being followed and that the deposits agree with the log of services rendered and fees collected.*
- *No fee services shall be rendered without the payment of the fee.*

### **Imprest Funds**

The BSC failed to gain the required Treasurer's Office approval for establishment, discontinuance or changes in various BSC imprest change funds as follows:

1. The BSC Main Campus Bookstore transferred \$350.00 of imprest moneys to the Beckley Campus Bookstore.
2. The BSC discontinued and deposited into BSC accounts \$25.00 each from Center for Economic Enhancement imprest fund and the Allied Health Copier Card Account imprest fund.

3. BSC established a \$100.00 imprest fund from private moneys at the main campus cafeteria.

### **BSC Main Campus Bookstore Imprest Fund**

We noted there was \$3,650.00 in the BSC Main Campus Bookstore imprest fund during our cash count of BSC imprest change funds and receipts on October 9, 2007. However, the authorized Treasurer's Office Request for Imprest Fund, states in part,

- “... B. Name of Fund: Bookstore Change Fund...
- D. Physical location of the Fund: College Bookstore – Student Union Building...
- F. **Amount requested: \$4,000...” (Emphasis Added)**

According to the BSC Bookstore Director, the remaining \$350.00 from this fund was forwarded to the Beckley Satellite Campus for use as a change fund for their campus bookstore. We simultaneously counted the main campus bookstore and Beckley satellite campus bookstore imprest funds and verified the imprest funds totaled \$4,000.00.

The Bookstore Director told us that prior to the opening of the Beckley Satellite Campus Bookstore full-time, the bookstore was opened only a few days each semester. On the days the bookstore was opened, the Director would take \$350.00 from the BSC Main Campus Bookstore's imprest fund to the Beckley Campus Bookstore to use for change, since she had determined the main campus bookstore could adequately operate with only \$3,650.00 to use for change. She added she did not apply for an imprest fund with the Treasurer's Office for the Beckley Campus Bookstore because she did not want to delay its opening by waiting for the Treasurer's Office approval of the fund.

### **Center for Economic Enhancement and Allied Health Copier Card Imprest Funds**

According to the State Treasurer's Office's publication of authorized imprest funds, the Center for Economic Enhancement and the Allied Health Copier Card Account each

have \$25.00 in cash for their imprest change funds. However, the Vice President for Financial and Administrative Affairs stated the imprest funds were closed and provided us with documentation showing the deposit of these moneys into BSC accounts.

**Bluefield Campus Cafeteria Imprest Fund**

We attempted to trace the Bluefield Campus Cafeteria change fund of \$100.00 to the State Treasurer's listing of authorized imprest funds; however, we noted the imprest fund was not authorized by the State Treasurer's Office. The Vice President for Financial and Administrative Affairs showed us documentation indicating the \$100.00 for the imprest fund was provided by the Bluefield State College Foundation--which is a private entity. Nevertheless, we contend BSC is responsible for the cafeteria and, as such, should provide the moneys for its operation.

**Criteria**

Title 112, Series 3 of the Code of State Regulations, states in part,

“...3-3.1 Any state agency **requiring the establishment of an imprest fund shall make application** to the Treasurer on the forms prescribed by him or her...”

3.4 Whenever an agency determines that there is a need to **increase or decrease the balance of an imprest fund, the agency shall make application** to the Treasurer on the forms prescribed by him or her...”  
**(Emphasis Added)**

**Recommendations**

Since the Treasurer's Office records improperly reflect the amount of imprest fund moneys held at various BSC locales, the effectiveness of the Treasurer's Office control over BSC imprest funds is compromised and the Treasurer's Office is not controlling the use of these moneys as intended by the regulations quoted above. Therefore, we recommend BSC comply

with Title 112, Series 3 of the Code of State Regulations and submit proper applications to the State Treasurer's Office and gain the proper Treasurer's Office approval for the establishment, discontinuance, or changes in amounts of any BSC imprest funds.

**Spending Unit's Response**

- ***BSC Main Campus Bookstore Imprest Funds***
  - *Proper approval has been obtained from the Treasurer's Office for additional imprest fund at Beckley.*
- ***Center for Economic Enhancement and Allied Health Copier Card Imprest Funds***
  - *Notification has occurred to the Treasurer's Office that both of these imprest funds have been closed.*
- ***Bluefield Campus Cafeteria Imprest Funds***
  - *Proper approval has been obtained from the Treasurer's Office for additional imprest fund for the Bluefield campus cafeteria.*
- *Imprest funds will be reviewed semi-annually to insure continued compliance with state code and policies.*
- 

**Bluefield Campus Testing Center**

The Bluefield Campus Testing Center (the Testing Center) receives moneys from students and prospective students as payment for the National Leave of Nursing Pre-Admission Exam (NLN), the Bachelor of Science in Nursing (BSN) exam and the College Level Examination Program (CLEP) exam. According to documentation provided by BSC staff, the Testing Center deposited \$13,394.00 and \$11,845.00 during fiscal years 2007 and 2006, respectively. During the documentation of procedures, we determined the Testing Center deposits moneys either weekly or semi-weekly, depending on the amount of moneys collected since their previous deposit.

Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended,

states in part:

“...All officials and employees of the state authorized by statute to accept moneys due the state of West Virginia...**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**)

Failure to deposit receipts timely increases the risk moneys may be lost or stolen. Also, BSC does not have the use of these moneys until such time they are deposited.

Also, according to the Program Assistant II for the Testing Center, occasionally a staff person will notice a student or prospective student overpaid his or her testing fees after he or she has left the office. When this occurs, the Programming Assistant deposits the moneys for the amount of the testing fees and retains the overpayment in the cash box. If an overpayment was in the form of a check, the check is deposited and cash in the amount of the overpayment is kept from the next cash payment and placed in the cash box. No record of overpayments is kept.

Chapter 18B, Article 10, Section 1 of the West Virginia Code, as amended, states

in part:

“Each governing board shall fix tuition and other fees for each school term... and may include among the tuition and fees any one or more of the following as defined in section one-b of this article:  
(1) Tuition and required educational and general fees;  
(2) Auxiliary and auxiliary capital fees; and  
(3) Required educational and general capital fees....”

The Program Assistant told us overpayments amount to approximately \$15.00 a semester; however, we are unable to verify this due to the lack of supporting documentation. The Programming Assistant added that overpayments are used as a reserve fund to supplement a

student's payment for test fees if a student's test fee payment is short. We believe BSC does not have the authority to use these overpayments.

We recommend BSC deposit cash collections within 24 hours of receipt in accordance with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended. Additionally, we recommend BSC comply with Chapter 18B, Article 10, Section 1 of the West Virginia Code, as amended, and collect and deposit only those fees for which it has authority to collect. We further recommend BSC develop receipt collection procedures that lessen the chance of failing to detect overpayments and, when overpayments do occur, make reasonable attempts to return the excess payments to the appropriate person that remitted the overpayment.

**Spending Unit's Response**

*All processes shall be effective immediately and a formal operating letter outlining this process will follow:*

- *All testing fees collected shall be deposited within twenty-four hours of collection.*
- *A log of fees collected for each test shall be maintained by the Testing Center.*
- *The Business Office shall be responsible for refunding over-payments upon notification by the Testing Center of such an over-payment.*
- *The Business Office will conduct periodic audits to insure that this procedure is being followed and that the deposits agree with the log of services rendered and fees collected.*

**SUPPLEMENTAL INFORMATION**

**BLUEFIELD STATE COLLEGE**  
**INTERNAL CONTROLS OVER**  
**IMPREST FUNDS AND CASH COLLECTION POINTS**  
**RECONCILIATION OF IMPREST CHANGE FUNDS**  
**SHORT/(OVER)**

**Imprest Funds**

**Center for Economic Enhancement Account**

Amount per Treasurer's Office	\$25.00
Amount accounted for	<u>0.00</u>
Difference	<u>\$25.00</u>

**Allied Health Copier Card Account**

Amount per Treasurer's Office	\$25.00
Amount accounted for	<u>0.00</u>
Difference	<u>\$25.00</u>

**Summersville Satellite Campus Business Office**

Amount per Treasurer's Office	\$350.00
Amount accounted for	<u>350.00</u>
Difference	<u>\$ 0.00</u>

**Summersville Satellite Campus Bookstore**

Amount per Treasurer's Office	\$1,000.00
Amount accounted for	<u>1,000.00</u>
Difference	<u>\$ 0.00</u>

**Greenbrier Satellite Business Office**

Amount per Treasurer's Office	\$600.00
Amount accounted for	<u>119.16</u>
Difference	<u>\$480.84</u>

**BLUEFIELD STATE COLLEGE**  
**INTERNAL CONTROLS OVER**  
**IMPREST FUNDS AND CASH COLLECTION POINTS**  
**RECONCILIATION OF IMPREST CHANGE FUNDS**  
**SHORT/(OVER)**

**Greenbrier Satellite Campus Bookstore**

Amount per Treasurer's Office	\$600.00
Amount accounted for	<u>600.00</u>
Difference	<u>\$ 0.00</u>

**Bluefield Campus Bookstore Change Fund**

Amount per Treasurer's Office	\$4,000.00
Amount accounted for	<u>3,650.00</u>
Difference	<u>\$ 350.00*</u>

*\*The \$350.00 difference represents moneys forwarded by BSC staff to Beckley Satellite Campus. These moneys were used to establish a change fund for the Beckley Campus Bookstore.*

**Beckley Satellite Campus Bookstore**

Amount per Treasurer's Office	\$ 0.00
Amount accounted for	<u>350.00</u>
Difference	<u>\$(350.00)**</u>

*\*\* The \$350.00 difference represents moneys forwarded by BSC staff from the Bluefield Campus Bookstore imprest change fund. These moneys were used to establish a change fund for the Beckley Campus Bookstore.*

**BLUEFIELD STATE COLLEGE**  
**INTERNAL CONTROLS OVER**  
**IMPREST FUNDS AND CASH COLLECTION POINTS**  
**RECONCILIATION OF IMPREST CHANGE FUNDS**  
**SHORT/(OVER)**

**Beckley Satellite Campus Business Office - Student Account Receivable**

Amount per Treasurer's Office	\$ 600.00
Amount accounted for	<u>600.00</u>
Difference	<u>\$ 0.00</u>

**Bluefield Campus Business Office - Change Fund**

Amount per Treasurer's Office	\$2,500.00
Amount accounted for	<u>2,450.00</u>
Difference	<u>\$ 50.00</u>

**Bluefield Campus Cafeteria**

Amount per Treasurer's Office	\$ 0.00
Amount accounted for	<u>100.00</u>
Difference	<u>\$ (100.00)***</u>

\*\*\* Change fund for cafeteria provided by Bluefield State College Foundation.

**Bluefield Campus Registrar's Office**

Amount per Treasurer's Office	\$ 0.00
Amount accounted for	<u>60.00</u>
Difference	<u>\$ (60.00)</u>

**BLUEFIELD STATE COLLEGE**  
**SPECIAL REPORT ON THE**  
**INTERNAL CONTROLS OVER**  
**IMPREST FUNDS & CASH COLLECTION POINTS**  
**RECONCILIATION OF RECEIPTS TO ACCOUNTING RECORDS**  
**SHORT/(OVER)**

**Cash & Cash Equivalent Collection Points**

**Bluefield Campus Bookstore**

Cash	\$ 172.16
Credit Cards	<u>103.45</u>
	275.61
Amount per Cash Register Receipts	<u>275.61</u>
Difference	<u>\$ 0.00</u>

**Bluefield Campus Business Office**

Cash	\$ 2,480.05
Checks	16,558.87
Credit Cards	345.00
Credit Card Returns	(345.00)
Less Imprest Fund	<u>(2,450.00)</u>
	16,558.87
Amount per Cash Register Receipts	<u>16,558.87</u>
Difference	<u>\$ 0.00</u>

**Bluefield Campus Business Office – Safe**

Cash	\$1,163.20
Checks	3,734.78
Money Orders	<u>400.00</u>
	5,297.00
Amount per Receipts	<u>0.00</u>
Difference	<u>\$5,297.98</u>

**BLUEFIELD STATE COLLEGE**

**INTERNAL CONTROLS OVER**

**IMPREST FUNDS & CASH COLLECTION POINTS**

**RECONCILIATION OF RECEIPTS TO ACCOUNTING RECORDS  
SHORT/(OVER)**

**Bluefield campus Cafeteria**

Cash	\$ 0.00*
Amount per receipts	<u>0.00</u>
Difference	<u>\$ 0.00</u>

\* Deposited in the Bluefield Campus Bookstore cash register.

**Bluefield Campus Testing Center**

Cash	\$216.92
Checks	110.00
Money Orders	<u>330.00</u>
	626.92
Amount per receipts	<u>626.00</u>
Difference	<u>\$ 0.92**</u>

\*\*Difference immaterial.

**Bluefield campus Security Office**

Cash	\$150.22
Amount per receipts	<u>\$160.00</u>
Difference	<u>\$ (9.78)</u>

**BLUEFIELD STATE COLLEGE**

**INTERNAL CONTROLS OVER**

**IMPREST FUNDS & CASH COLLECTION POINTS**

**RECONCILIATION OF RECEIPTS TO ACCOUNTING RECORDS  
SHORT/(OVER)**

**Bluefield campus Registrar's Office**

Cash	\$ 65.00
Checks	211.00
Money Orders	<u>31.00</u>
	307.00
Amount per receipts	<u>307.00</u>
Difference	<u>\$ 0.00</u>

**Bluefield Campus Copy Card Machines**

Cash	\$ 12.00
Amount per Receipts	<u>0.00*</u>
Difference	<u>\$ 12.00</u>

*\*Records not maintained*

**Student Health Center**

Cash	\$ 0.00
Amounts per receipts	<u>0.00</u>
Difference	<u>\$ 0.00</u>

**Athletic Department - Basketball Game Receipts**

Cash	\$4,296.00
Amounts per game receipts forms	<u>4,296.00</u>
Difference	<u>\$ 0.00</u>

**BLUEFIELD STATE COLLEGE**

**INTERNAL CONTROLS OVER**

**IMPREST FUNDS & CASH COLLECTION POINTS**

**RECONCILIATION OF RECEIPTS TO ACCOUNTING RECORDS  
SHORT/(OVER)**

**School of Nursing and Allied Health**

Cash	\$145.00
Checks	<u>95.00</u>
	240.00
Amounts per receipts	<u>240.00</u>
Difference	<u>\$ 0.00</u>

**Beckley Satellite Campus Bookstore**

Credit Cards	\$ 84.25
Amounts per receipts	<u>84.25</u>
Difference	<u>\$ 0.00</u>

**Beckley Satellite Campus Business Office**

Cash	\$ 0.00
Amounts per receipts	<u>0.00</u>
Difference	<u>\$ 0.00</u>

**Summersville Satellite Campus Bookstore**

Cash	\$ 0.00
Amounts per receipts	<u>0.00</u>
Difference	<u>\$ 0.00</u>

**Summersville Satellite Campus Business Office**

Cash	\$ 0.00
Amounts per receipts	<u>0.00</u>
Difference	<u>\$ 0.00</u>

**BLUEFIELD STATE COLLEGE**

**INTERNAL CONTROLS OVER**

**IMPREST FUNDS & CASH COLLECTION POINTS**

**RECONCILIATION OF RECEIPTS TO ACCOUNTING RECORDS  
SHORT/(OVER)**

**Greenbrier Satellite Campus Bookstore - Cash Register**

Cash	\$1,964.10
Checks	<u>5,933.11</u>
	7,897.21
Amount per cash register receipts	<u>7,885.21</u>
Difference	12.00
Less: monies returned to imprest fund	<u>12.00</u>
Difference	<u>\$ 0.00</u>

**Greenbrier Satellite Campus Bookstore – Campus  
Business Office**

Cash	\$ 35.09
Checks	<u>904.00</u>
	939.09
Amount per receipts	<u>939.09</u>
Difference	<u>\$ 0.00</u>

**Greenbrier Satellite Campus Business Office**

Cash	\$ 99.77
Credit Cards	<u>24.44</u>
	124.21
Amount per cash register receipts	<u>124.21</u>
Difference	<u>\$ 0.00</u>

**STATE OF WEST VIRGINIA**

**OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:**

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

Given under my hand this 19<sup>th</sup> day of May 2008.

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

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

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the West Virginia Higher Education Policy Commission; the Bluefield State College; Governor; Attorney General; State Auditor; and Director of Finance Division, Department of Administration.