

STATE OF WEST VIRGINIA
SPECIAL REPORT
OF
BLUEFIELD STATE COLLEGE
ATHLETIC DEPARTMENT
RECEIPTS AND DISBURSEMENTS
JULY 1, 2005 - JUNE 30, 2007



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

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 Bluefield State College's (College) Athletic Department's internal controls and procedures over receipts and disbursements. 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.

In order to achieve the objectives noted above, we performed the following procedures on the Athletic Department at the College:

- 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 Athletic Department cash collections and expenditures;
- b. Performed cash counts of the basketball game receipts from the sale of tickets and concession proceeds;
- c. Conducted interviews with various College personnel to determine how Athletic Department revenues and expenditures were processed. We prepared narratives documenting these procedures and asked the appropriate College 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 College's Athletic Department revenue and expenditure processing procedures by determining, among other things, the ability of employees to override the system of internal controls, and if there was adequate management oversight over the Athletic Department cash collections and expenditures.

Our audit period is July 1, 2005 through June 30, 2007. The results are set forth on the following pages of this report.

Respectfully submitted,

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

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

Auditors: Stanley D. Lynch, CPA, Audit Manager
K. Michelle Hodge, Auditor-in-Charge
Brandy L. McNabb, Auditor II
Susan E. Tinney, Auditor I
John E. Eckhart, Auditor I

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BLUEFIELD STATE COLLEGE
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EXIT CONFERENCE

We held an exit conference on August 15, 2008 with the President, the Vice-President for Financial and Administrative Affairs and the Athletic Director 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
SPECIAL REPORT ON THE
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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
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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
Terry Brown.....Athletic Department Director
Vonda Wilson.....Athletic Department Secretary

BLUEFIELD STATE COLLEGE
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EXECUTIVE SUMMARY

Cash Receipts

1. According to documentation provided by the BSC Business Office, the Athletic Department deposited \$12,850.00 into the Auxiliary and Auxiliary Capital Fees Fund during our audit period of July 1, 2005 through June 30, 2007. However, we noted an indeterminable amount of athletic department collections were not deposited into BSC accounts as required by statute. The overall lack of internal controls and available records made it impossible to audit the Athletic Department's receipts and presented a significant opportunity for fraud to occur and not be detected.

Auditors' Recommendation

We recommend Bluefield State College strengthen management oversight over the Athletic Department cash collections and deposits and comply with our various internal control recommendations. We also recommend the BSC comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as well as, Chapter 5A, Article 8, Section 17 of the West Virginia Code, as amended, Chapter 18B, Article 10, Section 11 of the West Virginia Code, as amended, and Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended. Further, we recommend BSC determine the amount of moneys given to the Foundation and seek reimbursement from the Foundation for the State moneys.

Spending Unit's Response

BSC finance personnel will work with Athletic Department personnel to insure all funds related to athletic events, including ticket sales, tournament guarantees and concession proceeds will be deposited into the appropriate state account, Auxiliary and Auxiliary Capital Fees Fund. (See pages 12-22)

Cash Advances

2. During the period of July 1, 2005 through June 30, 2007, the Bluefield State College Athletic Department obtained cash advances totaling \$273,322.11 from the Auxiliary and Auxiliary Capital Fees Fund. We noted critical internal control weaknesses over the issuing and settlement of cash advances that could have resulted in losses or thefts that

are not detectable by normal audit procedures. In July 2007, Bluefield State College discontinued issuing cash advances to the Athletic Department, in compliance with the Legislative Auditor's Office, Performance Evaluation & Research Division, Annual Performance Audit and issued Athletic Department employees United Bank Travel Cards to use for travel expenses. However, we believe BSC continues to have internal control weaknesses over the Athletic Department travel expenditures.

Auditors' Recommendation

If BSC would resume the practice of issuing cash advances to the Athletic Department in the future, we recommend BSC implement a detailed procedural policy to govern Athletic Department travel and implement proper management oversight. Also, we believe cash advances should only be used for necessary authorized State travel that cannot be placed on the State travel card or direct billed. We further recommend Bluefield State College comply with Chapter 5A, Article 8, Section 9(b); BSC Travel Rule, Policies and Procedures; and the State Auditor's Office policies by keeping adequate supporting documentation for travel expenditures made from both cash advances and the United Bank Travel Cards, including documenting who made the purchases and for what event the purchases relate.

Spending Unit's Response

Cash advances utilized by the Athletic Department have not been used for more than a year. (See pages 22-32)

Alteration of Documentation

3. On February 25, 2008, we conducted a cash count of moneys kept on-hand by the Bluefield State College Athletic Director, which consisted of admission tickets sold during the 2007-2008 season home basketball games, totaling \$4,296.00. The Athletic Director and the Athletic Secretary admitted to altering the original documentation supporting the cash receipts after our cash count.

Auditors' Recommendation

We recommend BSC implement proper management oversight over Athletic Department cash collections by requiring all moneys be deposited to the BSC Business Office within 24 hours of receipt, along with the game receipt forms. We also recommend a Cashier of the Business Office reconcile the moneys to the forms and affix his or her signature to the form upon verifying the moneys. Also, a copy of the approved form should be given to the Athletic Department to support the deposit and the original documentation should be retained by the BSC Business Office in order to comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code. Further, in no instances should documentation be altered subsequent to the preparation of the documents.

Spending Unit's Response

With new procedures and processes in place for receipt of funds, altering of any documentation will be detected at the time of receipt/deposit and resolved at the time of the deposit. (See pages 32-35)

United Bank Travel Card

4. BSC directly paid United Bank \$17,246.25 for charges placed on the five Athletic Department employee cards for the three-month period of April 2007 through June 2007. Even though the United Bank travel cards were issued in the name of the Athletic Department employees, the employees were not required to pay for the charges on the cards and seek reimbursement.

Auditors' Recommendation

We recommend BSC discontinue paying employee's Travel Cards. We further recommend BSC comply with West Virginia Purchasing Division, Travel Management Unit, Travel Rules and the Higher Education Policy Commission Procedural Rule Title 133, Series 29 by requiring all employees submit a Travel Expense Account Settlement form to BSC for reimbursement of travel expenses and, in turn, the employee should use the travel expense reimbursement to pay their own Travel Card billings.

Spending Unit's Response

If the team travel card is continued, and the employee fails to provide adequate documentation timely, the college will consider canceling the team travel card for that coach and require the coach to seek his or her own method of funds. (See pages 35-38)

Payments to Game Officials

5. During the period of July 1, 2005 through February 2007, BSC did not keep track of the payments to game officials and, therefore, did not report payments of \$600 or greater per calendar year to the Social Security Administration on a Form-1096 and the game official on a Form-1099.

Auditors' Recommendation

We recommend Bluefield State College comply with the Internal Revenue Service Instructions for Form 1099-MISC and report annual payments to individuals, partnerships or estates totaling \$600 or more to the Social Security Administration and to individual, partnership or estate. Further, for payments to game officials during our audit period, we recommend BSC determine what game officials were paid \$600 or greater during a calendar year and retro-actively issue a 1099-MISC, as needed.

Spending Unit's Response

BSC will review the process of reporting game officials in excess of \$600 via 1099 reporting for prior years. BSC believes there are few, if any, in excess of \$600 in any one calendar year. (See pages 38 and 39)

Unauthorized and Undocumented Expenditures

6. During our test of Athletic Department cash disbursements, we noted 23 purchases totaling \$10,804.57 which did not have adequate documentation to allow us to determine for whom or for what purpose the purchases were made and, as a consequence, if the purchases were statutorily authorized. Further, during the testing of Athletic Cash Advances totaling \$251,263.11 issued during the period of July 1, 2005 through February 2007, we noted \$6,913.00 paid for meals and \$1,759.91 paid for lodging for games not reflected on game schedules provided to us by spending unit personnel. Thus, we were unable to determine if the purchases were authorized by State statute.

Auditors' Recommendation

We recommend BSC comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, the West Virginia Higher Education Purchasing Procedures Manual and the West Virginia State Purchasing Card Program, Policies and Procedures, Sections 6.1 and 12.2. We also recommend BSC implement a procedure requiring proper management oversight of purchases and require all purchases be properly documented. Finally, we recommend BSC develop a policy requiring each student athlete to sign a receipt form when they receive meals or clothing funded by BSC moneys.

Spending Unit's Response

BSC will provide greater oversight and document in detail all purchases related to Athletics and develop a process to document student athlete receipt of meals and clothing. (See pages 39-43)

Athletic Tuition Waivers

7. We were unable to audit athletic tuition waivers valued at \$139,917.00 granted to student athletes during our audit period due to a lack of supporting documentation. BSC was unable to provide us with the NCAA Squad Listing and Award Notification Letters for all athletic tuition waivers issued during the audit period of July 01, 2005 through June 30, 2007. Without the NCAA squad lists, we were unable to determine if proper authorization was given for the athletic tuition waivers issued during our audit period. Also, without the Award Notification Letters, we were unable to determine whether the proper tuition waiver amount was issued to the athletic students.

Auditors' Recommendation

We recommend BSC implement proper management oversight to ensure tuition waivers are issued in compliance with West Virginia Code and internal policies. Also, we recommend the College keep original documentation to support financial aid disbursed to students in accordance with Chapter 5A, Article 8, Section 9 of the West Virginia Code, NASFAA rules and regulations, and the Financial Aid Office Policies and Procedures Manual.

Spending Unit's Response

BSC is now tracking all awards, both academic and athletic, through the Vice-President for Student Affairs and Enrollment Management office. (See pages 43-46)

Invoices Not Timely Processed for Payment

8. We noted 16 of 29 tested Athletic Department cash disbursements were processed in excess of ten days from receipt of the invoice. Three of these disbursements were not issued for payment within 60 days of receipt as required by the West Virginia Prompt Payment Act. Two of these transactions tested did not have a receiving report prepared within twenty-four hours of receiving commodities—one of which was completed and signed by an employee that did not receive the commodities. Additionally, we noted three transactions did not have a date/time stamp or an invoice date; therefore we were unable to determine whether the invoices were processed in compliance with Prompt Pay Act.

Auditors' Recommendation

We recommend the BSC comply with Chapter 5A, Article 3, Section 54 and Chapter 12, Article 3, Section 10, of the West Virginia Code and West Virginia Higher Education Purchasing Procedures Manual and implement proper management oversight to ensure the Athletic Department remit the proper supporting documentation necessary for invoices to be processed for payment within ten days of receipt in accordance with State statute and that invoices are date/time stamped when received. Further, we recommend the College designate employees to receive commodities and that those employees are responsible for timely completion of the receiving reports.

Spending Unit's Response

BSC will reevaluate the employees designated to sign receiving reports and will work with the Athletic Department to insure proper paperwork and invoices are filed timely. (See pages 46-50)

Lack of Proper Supporting Documentation

9. We noted 18 of 29 tested Athletic Department cash disbursement transactions, totaling \$15,201.31, lacked proper supporting documentation. Therefore, we were unable to determine whether or not the purchases were authorized by State statute. Also, during testing, we noted a duplicate p-card disbursement transaction totalling \$447.56.

Auditors' Recommendation

We recommend BSC comply with Chapter 12, Article 3, Section 9 of the West Virginia Code; the State Purchasing Card Program, Policies and Procedures, Section 7.1; and internal rules and implement proper management oversight to ensure proper documentation supports every cash disbursement, including purchasing card, transaction.

Spending Unit's Response

BSC will require an itemized receipt of all purchases. (See pages 50-53)

Game Workers' Payroll

10. BSC does not have an internal policy governing game workers' payroll, or a policy governing invoicing entities for recovery of expenses and rental fees, which we believe contributed to Bluefield State College (1) improperly paying game workers' and (2) not generating and keeping documentation to support the amount invoiced to an entity for reimbursement of game workers' payroll and rental fees.

Auditors' Recommendation

We recommend BSC establish internal policies and implement proper management oversight to govern the game workers' payroll and the invoicing of reimbursements and rental fees to BHS. Also, we believe employment paperwork should be completed by game workers prior to working a game. Further, we recommend BSC comply with Chapter 18B, Article 10, Section 15 of the West Virginia Code; Chapter 12, Article 3, Section 13 of the West Virginia Code; the Fair Labor Standards Act and BSC internal policies.

Spending Unit's Response

BSC will evaluate the needs for additional oversight of game workers' payroll and the invoicing of reimbursements and rental fees to BHS. (See pages 53-57)

BLUEFIELD STATE COLLEGE
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GENERAL REMARKS

INTRODUCTION

We have completed a special report on the internal controls over Bluefield State College's (BSC) Athletic Department receipts and disbursements. The examination covers the period July 1, 2005 through June 30, 2007.

SPECIAL REVENUE ACCOUNTS

The following accounts were maintained by the Bluefield State College for the deposit of auxiliary revenues, including, but not limited to, bookstore, athletics, faculty housing and student center revenues:

<u>Fund Number</u>	<u>Description</u>
4372-Auxiliary and Auxiliary Capital Fees Fund	Tuition, fees and investment income to fund auxiliary capital fees.

COMPLIANCE MATTERS

We tested applicable sections of the West Virginia Code, and the spending unit's legislatively approved rules and regulations, as well as other rules regulations, policies, and procedures as they pertain to Athletic Department's collection, deposit, and safeguarding of receipts and payment of expenditures. Our findings are discussed as follows:

1. Cash Receipts

According to documentation provided by the BSC Business Office, the Athletic Department deposited \$12,850.00 into the BSC Auxiliary and Auxiliary Capital Fees Fund (4372) during our report period of July 1, 2005 through June 30, 2007. However, we noted an indeterminable amount of athletic department collections were not deposited into BSC accounts as required by statute.

Although documentation was limited, we were provided with documents which indicated some Athletic Department cash collections were given to the BSC Foundation – a separate non-State entity. Also, we were told additional Department collections for concession sales, which were not deposited into the State BSC accounts, were used to pay expenses of the BSC softball team. Still, the overall lack of adequate accounting records and source documents prevented us from determining the amount collected by the Department and how much of the money collected was given to the BSC Foundation, how much was used for softball expenses or how much may have been used for other purposes—including possible fraudulent conversion. Unquestionably, the overall lack of internal controls and available records made it impossible to test the Athletic Department's receipts and presented a significant opportunity for fraud to occur and not be detected.

The Athletic Department revenue sources can be categorized as follows: (1) Ticket sales at men's and women's basketball games; (2) Tournament guarantees from host teams; and (3) Concession revenues. Each area has a serious lack of internal controls and supporting documentation, as described as follows:

Ticket Sales at Basketball Games

The Athletic Department collects game receipts for admission to men and women's "home" basketball games. The Vice President for Financial and Administrative Affairs provided us with an internal accounting system (Banner system) print-out which indicated no receipts for ticket sales were deposited into the BSC Auxiliary and Auxiliary Capital Fees Fund during fiscal year (FY) 2007 and \$2,483.00 was deposited in FY 2006. However, the Athletic Director (Director) believes the cash receipts from the FY 2007 ticket sales were erroneously coded by the Business Office as tournament guarantees. The Business Office did not require any documentation from the Athletic Department indicating the source of deposits. Without documentation to support these deposits, we were unable to determine if all moneys collected for ticket sales were deposited.

The basketball season runs from November through February. The Director informed us that he kept the cash collected from the sale of game tickets until August following the end of the basketball season, at which time the cash is deposited. Thus, while the Director held these moneys, the State was denied any interest earnings these moneys may have earned if deposited into State accounts. Also, these moneys were not available to be spent for authorized State expenditures.

According to the Director, adult and student admission tickets are sold at home basketball games; however, BSC students and faculty are admitted free. The price for student (yellow) and adult (white) tickets vary depending on whether or not the event is a regular game, double header or a tournament game. Generally, the price of adult tickets range from \$5.00 to \$7.00 and student tickets range from \$4.00 to \$6.00.

All tickets must be purchased at the gate. Usually, there are two ticket sellers consisting of the Athletic Department Secretary and one extra help worker. The extra help worker can be either a student worker or a member of the staff or faculty. According to the Director, a "Game Receipts" form is completed by the Athletic Department Secretary for each ticket seller. The information recorded includes (1) the date and description of the game, (2) name of ticket seller, (3) price of adult and student admissions (4) starting and ending ticket numbers for adult and student tickets, (5) total amount collected per adult and student; and (6) start up cash in cash box. The ticket sellers reconcile the amount of tickets issued on the form to the amount of moneys collected after the conclusion of the event and sign the form. The form and moneys are delivered to the Director and he re-performs the reconciliation the next business day and signs the game receipt reconciliation indicating his approval. If a variance is noted, he will record the difference on the form.

After conducting interviews with Athletic Department personnel concerning ticket sale procedures and reviewing the limited documentation maintained for ticket sales, we noted the following conditions that prevented us from performing tests in order to verify if receipts for ticket sales were properly collected, safeguarded and deposited into BSC accounts:

- (1) The Director told us he destroyed *Game Receipt Forms* after moneys were deposited. Therefore, he was unable to provide us with any Forms for our entire report period. The Director provided us with a memorandum dated February 26, 2008, which states in part: "I have no other records available." Without these records we were unable to determine (a) The number of tickets sold for each home basketball game; (b) The amount of receipts that should have been collected and deposited for ticket sales; and, (c) If reconciliations between tickets issued and monies collected were performed by the ticket seller and, if so, if the reconciliations were re-performed and approved by the Director.
- (2) The Banner system print-out provided to us by agency personnel indicated no receipts for ticket sales were deposited into the BSC Auxiliary and Auxiliary Capital Fees Fund during fiscal year (FY) 2007 and \$2,483.00 was deposited in FY 2006. The Director stated the Athletic Department received game receipts during FY 2007; however, he believes the cash receipts from the FY 2007 ticket sales were erroneously coded by the

Business Office as tournament guarantees. The Business Office does not require any documentation from the Athletic Department indicating the source of deposits. Without documentation to support these deposits, we are unable to determine if all the moneys collected for ticket sales were deposited.

- (3) According to the Director, rolls of tickets purchased for re-sale are kept in a locked closet in the Director's office until such time they are needed for a basketball game. Ticket numbers were not recorded when received and the unsold tickets were not inventoried in any fashion. Therefore, it is not possible to account for all tickets purchased in order to verify that tickets were not improperly sold or distributed and that all moneys received were deposited.
- (4) Ticket moneys are deposited approximately once each year. The Director secured the ticket moneys in an unlocked bank bag which was placed in a locked safety box located in a locked closet in his office. He told us when he had a large amount of one and/or five dollar denominations; he took these bills to the bank to exchange them for one hundred dollar bills. He then re-secured the moneys in his closet. Failure to deposit funds timely increases the risk they may be lost or stolen. Further, moneys could be inappropriately "borrowed" during the time they are held and not deposited.
- (5) According to the Director, in August or September of each year the Director deposited the ticket moneys received for regularly scheduled home games. To do so he took the cash to the bank and obtained a cashier's check and took the check to the Business Office for deposit into BSC accounts. He then disposed of the Game Receipt forms. He did not provide the Game Receipt forms to the Business Office to support amounts deposited.
- (6) We observed a summary document which indicated that \$1,736.00 of game moneys received from 2006-2007 basketball season ticket sales for tournament games held on BSC's campus was given by the Athletic Department to the BSC Foundation—a private corporation. Upon further conversation with the Director, we were told that these moneys were credited to the Foundation's "Big Blue Fund" to be used for athletic scholarships. The Director informed us that depositing the ticket monies collected from home tournament games to the Foundation's fund was his procedure during our report period and even prior to our report period. Since there was a general lack of documents supporting Athletic Department receipts for our report period, we requested the BSC obtain from the Foundation the amount of moneys it received from the BSC Athletic Department. However, we were told the Foundation had no accounting records available which document the moneys received from the Athletic Department. In accordance with State statute, we believe all athletic revenues should be deposited into the BSC Auxiliary and Auxiliary Capital Fees Fund.

Tournament Guarantees

Tournament guarantees are payments received by BSC for participating in tournaments hosted by other schools. The tournament guarantees are given to the Director who is responsible for depositing the moneys. The BSC provided us Banner system print-outs that reflected deposits of \$1,211.00 and \$9,156.00, respectively, for Athletic Tournament Guarantees in FY 2006 and 2007.

After conducting interviews with Athletic Department personnel related to the procedures for tournament guarantees and determining there was no documentation supporting the collections, we noted the following:

- (1) Neither the Athletic Department nor the Business Office was able to provide us with documentation supporting the amount received for tournament guarantees and the deposits made into the Auxiliary Fund for our report period. The Director told us the tournament guarantees are received directly from the hosting team and stated there is no written agreement for tournament guarantees. Without some documentation from the host school, we cannot verify the source of receipts or whether BSC received all tournament guarantees to which it was entitled.
- (2) The Director stated the Athletic Department did not receive any tournament guarantees during our report period, although the BSC accounting records shows deposits of \$1,211.00 and \$9,156.00, respectively, for Athletic Tournament Guarantees in FY 2006 and 2007. The Director believes the Business Office erroneously coded the deposits as tournament moneys. The Business Office does not require any documentation from the Athletic Department indicating the source of deposits. Without documentation to support these deposits, we are unable to determine if all tournament moneys collected were deposited.

Concessions

During the time period of July 1, 2005 through the date of our report, the Director informed us that concessions were operated at the basketball games by the softball and volleyball teams for fundraisers. Primarily, concession workers are student employees that are paid from the BSC Auxiliary and Auxiliary Capital Fees Fund.

Concession proceeds are kept in the Director's closet, which is locked; however, at times, he allows the coaches access to the concession proceeds in order to replenish goods to sell at the concession stand. The Director also informed us the concession proceeds are used to cover the softball team travel expenses. The Director provided us with a signed statement dated April 29, 2008, which states in part,

“. . . I do not keep any receipts or other documentation to support the purchase of items to be sold at the concession stand, or the concession receipts. However, it is my belief that the former softball coaches kept these records themselves; however, these coaches are no longer employed at Bluefield State College (BSC). Also, concession proceeds are used to offset softball expenses, such as travel expenses, tournament fees, or items such as t-shirts or hats, etc. There is no record of the softball expenses paid from the concession proceeds. . . .”

The Director told us if concession moneys were not used for either replenishing concession supplies or softball expenses by August or September of each year, the remaining moneys, after reimbursing BSC for concession worker payroll, were given to the Foundation in the form of a cashier check. As was the case with ticket sale receipts for the BSC on-campus basketball tournament, the Director said the concession moneys given to the Foundation's were credited to the "Big Blue Fund" and are used for BSC athletic scholarships.

The Director provided us with a copy of a cashier check totaling \$1,352.24 which documented the amount of 2006-2007 basketball season concession proceeds given to the BSC Foundation. He also provided a copy of a cashier check totaling \$760.60 as evidence of the amount reimbursed to BSC for concession worker payroll for the season. However, he was unable to provide documentation to support the concession cash receipts and the concession worker payroll paid by BSC. Also, he was unable to provide us with the cashier check or other

documentation to support other concession moneys given to the BSC Foundation during our report period.

After conducting interviews with Athletic Department personnel related to the procedures for sales and deposits of concession revenues, and determining the nature and extent of documentation supporting concession transactions, we then noted the following:

- (1) The Director provided us with a cashier's check to support the \$1,352.24 in concession proceeds from the 2006-2007 basketball season that was given to the BSC Foundation. However, we were told no other documentation or accounting records are available from either the BSC or the Foundation which documents the amount of concession moneys given by the Athletic Department to the Foundation. Considering the Board of Governors did not approve these moneys be given to the Foundation, we believe collections should be deposited into the BSC's Auxiliary and Auxiliary Capital Fees Fund to be used to cover the expenses of the Athletic Department and other auxiliary programs in accordance with Chapter 18B, Article 10, Section 11 of the West Virginia Code, as amended.
- (2) The Director was unable to provide us with documentation to support the amount of concession proceeds collected, the concession proceeds used to cover concession and softball team expenses and the moneys given to the BSC Foundation during the period of this report.
- (3) During our cash count, we noted \$989.05 in concession moneys (cash) on-hand in the Director's Office as of May 21, 2008; however, the Director was unable to provide us with documentation to support the source of the moneys or how long the moneys had been held.

BSC Foundation

The BSC Foundation is a private (non-State) corporation that receives, administers and distributes donated funds and properties to further the purposes of BSC. The Foundation provides scholarships and loans for BSC students, as well as funds for the development of faculty and staff. During our report of BSC, we noted BSC gave State money to the BSC Foundation.

We requested the BSC Foundation provide us information on the amount and the current status of the monies received from BSC since July 2003. However, a representative of the Foundation stated she was unable to provide us with this information.

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...essential transactions of the agency **designed to furnish information to protect the legal and financial rights** of the state...” (Emphasis Added)

Section 17 of this same Article, as amended, states in part:

“... **no record shall be destroyed or otherwise disposed of** by any agency of the state, unless it is determined by the administrator and the director of the section of archives and history of the division of culture and history that the record has no further administrative, legal, fiscal, research or historical value . . .” (Emphasis Added)

Chapter 18B, Article 10, Section 11 of the West Virginia Code, as amended,

states:

“The governing board of a state institution of higher education may fix and charge admission fee to athletic contests...The governing board may enter into contracts and spend and receive money under such contracts for the student athletic teams of the institutions to contest with other athletic teams...**All money received from such fees and contracts shall be deposited in the auxiliary operating account. . .**” (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 monies due the state of West Virginia...**shall deposit within twenty-four hours** with the state treasurer all monies received or collected by them for or on behalf of the state for any purpose whatsoever. . .” (Emphasis Added)

Recommendations

We recommend the BSC Athletic Department comply with the following recommendations:

- In accordance with statutory requirements, all moneys collected for ticket sales, tournament guarantees and concession proceeds should be deposited in the Auxiliary and Auxiliary Capital Fees Fund (4372). These monies would then be available to be used for legitimate documented expenditures of the Athletic Department and other auxiliary programs, in accordance with Chapter 18B, Article 10, Section 11 of the West Virginia Code, as amended. Also, we recommend BSC determine the amount of moneys given to the Foundation and seek reimbursement from the Foundation for the State moneys.
- The Department should deposit all receipts **to the Business Office** within 24 hours of receipt in accordance with State statute.
- The Department provide the Business Office with adequately detailed documentation to support the amount and the source of moneys collected
- The Business Office Cashiers require supporting documents for all athletic deposits. Business Office employees should reconcile supporting documents to amounts received. A signed deposit ticket should be returned to the Athletic Department for their records.
- To protect the legal and financial rights of BSC, all financial documents should be retained in the records until such time they are no longer needed for internal or external auditing purposes. Then, BSC should seek permission from the appropriate State agency before discarding such records.

There are significant weaknesses in the internal controls over the cash collections.

We believe ample opportunities have existed for thefts or losses to have occurred and gone unnoticed. Certainly, if these weaknesses remain uncorrected, future thefts and losses are probable. We recommend Bluefield State College strengthen management oversight over the Athletic Department cash collections and deposits and comply with the internal control recommendations listed above. We also recommend the BSC comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as well as, Chapter 5A, Article 8, Section 17 of the West Virginia Code, as amended, Chapter 18B, Article 10, Section 11 of the West Virginia Code, as amended, and Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

Spending Unit's Response

- *BSC finance personnel will work with Athletic Department personnel to insure all funds related to athletic events, including ticket sales, tournament guarantees and concession proceeds will be deposited into the appropriate state account, Auxiliary and Auxiliary Capital Fees Fund. Currently, operating letters and related forms to be utilized for collection reporting are being developed to provide detailed documentation on such collections. An imprest fund will need to be established and approved by state officials to begin this process.*
- *During some years, concession sales were completed by one of the teams as a fund raising activity and was deposited with the Foundation. It is believed all of these funds have been depleted, possibly for travel purposes, scholarships and support of team activities; however, personnel will make a request to the BSC Foundation, and if available, will request they be transferred to the institution.*
- *Operating procedure is currently being updated to also require the Athletic Department to deposit all receipts to the Business Office, Accounts Receivable unit, within 24 hours of receipt in accordance with State statute, or as soon as the Accounts Receivable Office is open (as related to Friday or Saturday game events and the office not open until Monday morning).*
- *Adequate, auditable, detailed documentation will be attached to all funds being deposited to support the source, amount, and time of all collections. Should adequate support not be provided, the Supervisor of Accounts Receivable will notify the Athletic Director and Vice-President of Financial and Administrative Affairs.*

- *All related financial records will be maintained and retained to support all collections and will follow the recent record retention policy of the institution before disposal, which complies with state and federal statute.*

2. Cash Advances

During the period of July 1, 2005 through June 30, 2007, the Bluefield State College (BSC) Athletic Department obtained cash advances totaling \$273,322.11 to cover athletic travel expenses and payments to game officials. These advances were disbursed from the BSC Auxiliary and Auxiliary Capital Fees Fund – Fund 4372. We tested cash advances totaling \$183,750.00 issued during the period of July 1, 2005 through February 2007. By reviewing documentation, we determined these cash advances were properly issued and settled with BSC; however, for some purchases we were unable to determine who made the purchase or for what event the purchase was related. Also, we were unable to determine if cash advances totaling \$22,059.00 issued during March through June 2007 were properly settled due to lack of supporting documentation or documentation lacking an explanation of who made the purchase or for what event the purchase was related. Further, after conducting procedural interviews with spending unit personnel and performing tests on Athletic Department travel, we noted critical internal control weaknesses over the issuing and settlement of cash advances that could have resulted in losses or thefts that are not detectable by normal audit procedures. These weaknesses are as follows:

1. State cash advance moneys were deposited into the Director's personal account with the BSC's address. While the Director held these moneys, the State was not earning interest on these State moneys.
2. BSC did not keep adequate documentation indicating who made purchases with cash advance moneys and for what event the purchase was related. As a result, we were unable to test some settlements of the cash advances;

3. The Director kept a large portion of travel advances in the form of cash locked in his closet located in his office. At any point in time during our report period, we estimate the Director had up to \$6,000 in cash locked in his closet.
4. Cash advances were not timely settled;
5. Mileage reimbursement was paid from the cash advance moneys rather than processing the mileage reimbursement through the State accounting system;
6. BSC does not have a policy to govern Athletic Department cash advances.

After the release of the July 2007 Legislative Auditor's Office, Performance Evaluation & Research Division (PERD), Annual Performance Audit on Institutions of Higher Education, BSC discontinued issuing cash advances to the Athletic Department; rather, in compliance with the PERD's recommendation, BSC issued Athletic Department employees United Bank Travel Cards to use for travel expenses. However, we believe BSC continues to have internal control weaknesses over the Athletic Department travel expenditures, as discussed later in this report.

Commingling of State and Personal Funds

Cash advances totaling \$251,263.11 were direct deposited into the Director's personal checking accounts. As noted in the July 2007 Legislative Auditor's Office, Performance Evaluation & Research Division (PERD), Annual Performance Audit on Institutions of Higher Education, the Director used two personal accounts during our report period: (a) one account with the Director's home address; and (b) another account with BSC's address. Due to the second of the two personal checking accounts having BSC's address, the possibility exists the personal checking account could have been perceived by the bank as the "BSC Athletic Department's" account and **other BSC moneys could have been deposited into the personal account.** Further, we believe State moneys should not be commingled with personal funds. Although cash advances tested totaling \$183,750.00, were settled with BSC,

none of the advances were settled within 30 days from the last date of travel as required by the State Auditor's Office. Also, while the Director held these moneys, the State was denied any interest earnings the moneys may have earned if deposited into State accounts.

As discussed previously in this report, the Director is responsible for safekeeping and depositing all Athletic Department cash receipts and also directly receives BSC Foundation moneys. We believe the Director could have benefitted from the direct deposits to his personal accounts by receiving interest on State owned moneys or "borrowing" the moneys to cover personal expenditures. The Director deemed the personal checking account with BSC's address as the "BSC Athletic Department" account; however, **he was unable to locate the bank statements to support the deposits and expenditures from his personal checking account with BSC's address.**

Issuing Cash Advances to Coaches

During the beginning of our report period until March 2007, the Director stated he issued travel advances to the coach or responsible party by writing a check payable from his personal checking account in the amount of the anticipated travel expenses for the event. However, as stated above, he was unable to locate the personal checking account statements and did not keep any other records indicating who received cash advances.

Also, the Director stated that approximately once each month, he would write a check payable to "cash" in the amount of anticipated payments to game officials for the respective month and place the cash in his locked closet. At any point in time, during our report period, he had an estimated average of \$2,500.00 in cash locked in his closet for anticipated payments to game officials. Keeping a large amount of cash increases the risk the moneys may be stolen, lost or "borrowed." We believe payments to game officials should have been paid

from a State warrant so State moneys could have remained in State funds, where they earn interest and are accessible for other State uses. Also, this would decrease the risk of theft or loss of the moneys by providing more security, while at the same time, creating reliable State records suitable for audit.

In March 2007, BSC discontinued issuing cash advances to the Director's personal checking account and began issuing Athletic Department cash advances to coaches, or other employees responsible for coordinating athletic travel, from a BSC local bank account.

Possible "Double Dipping"

As a result of the PERD audit, in April 2007, the Athletic Department began using the United Bank Travel Card, along with cash advances from the local bank account for athletic travel expenses. Travel cards were issued to five Athletic Department employees. Purchases totaling \$17,246.25 were placed on the United Bank Travel Cards, during the period of April 1, 2007 through June 30, 2007. During our report period, BSC required these employees to submit receipts, but did not require the employees to complete a Travel Expense Settlement Form or keep other adequate documentation indicating (1) the specific purpose of the purchases or for whom the purchases were made; and (2) what game or event the purchases supported. As a result, it is often impossible or, at best, very difficult to tie point-of-purchase receipts to a particular travel event and, as a result, to the employee responsible for the purchase. Consequently, we were unable to determine whether Athletic Department employees were "double dipping" by receiving cash from the cash advances for meal expenses and, at the same time, using the United Bank Travel Card to pay for meals. If such "double dipping" for meals occurred, it may have resulted in students and employees receiving meal reimbursements above

the GSA rate of \$39 per day for in-State travel and \$50 per day for out-of-State travel and, consequently, create a situation where these individuals received unreported taxable income.

Settlement of Cash Advances by Coaches

Expenses paid from the Athletic Department cash advances included, meals, lodging, tournament guarantees, and **mileage reimbursement**. After returning from an athletic event, the coach or responsible party remitted receipts, other supporting documents (i.e., meal sheets) and any remaining cash advance moneys not used, if any, to the Director. However, as stated earlier, the travelers did not complete Travel Expense Settlement Forms or provide other supporting documents to support the settlements between the Director and the Coaches.

At any given point-in-time during our report period, the Director had an estimated average of \$3,500.00 in cash locked in his closet consisting of cash advance moneys returned to him by Coaches or other responsible parties. Again, having such a large amount of cash on-hand increases the risk of theft or loss or personal use of State moneys.

Settlement of Cash Advances by Athletic Director

After the conclusion of each month, the Director completed a Travel Expense Account Settlement form for each sport to settle the cash advance for the respective month. During the period of July 1, 2005 through February 2007, if determined money was due the Athletic Department for expenses incurred in excess of the cash advance, BSC would issue a State warrant to the Director. The Director would, in turn, deposit the warrant into his personal bank account and write a check from this account to the coach or responsible party who actually incurred the expenses in excess of the cash advance. Since the Director told us the bank account statements could not be found and BSC did not keep any other documentation to support these

settlements, we were unable to determine who received cash advance settlements for expenses incurred in excess of the cash advance.

During the period of March 1, 2007 through June 30, 2007, if money was due to an employee for expenses incurred in excess of the cash advance, the employee would be issued a check from a BSC local bank account payable to the Coach or employee that incurred the expense.

During the entire period covered by this special report, if monthly cash advances exceeded the travel expenses for the month, the Director would take the cash to the First Community Bank in an unlocked bank bag and deposit the moneys into his personal checking account. He would then write a check to BSC in the amount of the deposit. As previously stated, we believe State moneys should not be commingled with personal funds.

Due to the lack of documentation supporting the settlements of cash advances issued during our report period between the Director and the Coaches, for some transactions we were unable to determine (1) those employees who made purchases from cash advances; and (2) what particular travel events the purchases supported. Due to the lack of both record keeping and supporting documentation we could not determine if cash advances issued during the period of March 1, 2007 through June 30, 2007 from the local bank account were accurately settled by the Athletic Department.

Non-Compliance Issues

Upon testing the settlement of cash advances during the period of July 1, 2005 through February 2007, we noted students and employees were issued meal per diem, rather than **actual** meal expenses. The BSC internal Travel Rule, Policies and Procedures states in regards to meals, in part,

“ . . . Meal expense reimbursement is limited to **ACTUAL** expenses for food, service and gratuities up to, not to exceed the maximum daily rate. . . .” (**Emphasis Added**).

The BSC internal Travel Rule, Policies and Procedures requires meal expense reimbursement for actual expenses, but does not require receipts be submitted. We believe if actual expenses are to be reimbursed, it is necessary for BSC to require receipts be submitted to support the actual meal expenses. By BSC giving the students/employees a set amount of money for meals and not requiring receipts be submitted as support, the possibility exists that not all moneys were used for meals.

We also noted during this period, 15 instances totaling \$1,076.41 where the Director paid mileage reimbursement from the cash advances, rather than processing the mileage reimbursement through the State accounting system. In three of the 15 instances, we were unable to determine who received the mileage reimbursement from the cash advances. The Director circumvented the travel reimbursement procedures by paying travel reimbursements without obtaining the required approval of either BSC’s Vice-President of Finance or President. Also, for two instances, the Director did have documentation stipulating who received mileage reimbursements. We believe mileage reimbursements should not be paid from cash advances. Rather, cash advances should be restricted for pre-approved travel expenses.

Timeliness of Cash Advance Settlements

According to the State Auditor’s Office Payment Processing Guide, cash advances must be settled within 30 days of the last date of travel for which the advance was issued. During our test, we used the date the monthly Travel Expense Account Settlement was completed, which was after the last date of travel, to determine if the cash advance was settled timely because the Director settled the Athletic Department’s cash advances in one monthly

settlement. The completion of settlements ranged from 59 to 89 days and averaged 71 days after the conclusion of the month in which the travel occurred. During the lag time between the conclusion of the travel month and the time cash advances were settled, the State would not had use of these moneys and would not have been able to invest the moneys and earn interest. Also, according to the State Auditor's Office Payment Processing Guide, if an employee does not settle cash advances within 30 days of the last date of travel, cash advance privileges for the entire spending unit may be suspended.

Criteria

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

The BSC Travel Rule, Policies and Procedures Section 7, states in part,

“. . . Requesting and settlement of cash advances shall follow the policies as defined by the State Auditor's Office. . . .

Cash advances may be received by employees for their own business travel or as a representative of students... for the payment of registration fees, and/or daily miscellaneous expenses **where the state corporate charge card is not accepted. . . .**

All cash advances must be settled by the individual traveler, student representative, student group advisor/sponsor, or band and athletic department. . . .

Failure to settle a cash advance within the time frame prescribed by the State Auditor's Office shall result in suspension of cash advance privileges for the traveler, student group, band or athletic department until such settlement is made. . . .” **(Emphasis Added)**

The State Auditor's Office Payment Processing Guide Section I, states in part,

“. . .1. Employee travel reimbursements must be submitted on the appropriate expense account settlement form. . . .”

The State Auditor's Office Payment Processing Guide, Section I, further states in part,

“. . . **Each cash advance must be settled within thirty days of the last date of travel** for which the advance was issued. If an employee does not settle within thirty days of the last date of travel, cash advance privileges for the entire spending unit may be suspended. . . .” **(Emphasis Added)**

Recommendations

During our report period, there were significant weaknesses in the internal controls over the issuing and settlement of cash advances. As a result, we believe ample opportunities have existed for employees to steal or “borrow” cash advances. Effective July 2007, BSC discontinued issuing cash advances to the Athletic Department; however, as of the date of this report, the Athletic Department has continued to use the United Bank Travel Card. Nevertheless, if BSC would resume the practice of issuing cash advances to the Athletic Department in the future, we recommend BSC implement a detailed procedural policy to govern Athletic Department travel and implement proper management oversight.

We believe cash advances should only be used for necessary authorized State travel that cannot be placed on the State travel card or direct billed. The July 2007 Legislative Auditor's Office, Performance Evaluation & Research Division, Annual Performance Audit on Institutions of Higher Education, states in part,

“. . . **A review of cash advances indicates that there are only a few expenses (such as tolls) that could not be paid directly by using state credit cards, such as team travel cards and purchasing cards. While these other forms of payment also**

require detailed documentation, there is more accountability when state credit cards are used. . . .”

We further recommend BSC comply with Chapter 5A, Article 8, Section 9(b); BSC Travel Rule, Policies and Procedures; and the State Auditor’s Office policies by keeping adequate supporting documentation for travel expenditures made from both cash advances and the United Bank Travel Cards, including documenting who made the purchases and for what event the purchases relate.

Spending Unit’s Response

- *Cash advances utilized by the Athletic Department have not been used for more than a year. Due to large cash amounts held, and based upon a review by the Legislative Auditor’s Office Performance Evaluation & Research Division recommendations, and after consultation with a Director with the State Auditor’s Office, an alternative process for access to funds for travel, via the State Travel Team card have been implemented. Previous cash advances were audited by institutional personnel along with the State Auditor’s Office travel area and BSC believes adequate documentation existed for the expenditures.*
- *With the large amounts of monthly cash advances, there were limited alternatives to handle these amounts of cash, which resulted in the Athletic Director utilizing his personal account to receipt and disburse these funds to various team coaches.*
- *The issuance of a state warrant for game officials is not allowed by the WVIAC, as the conference requires payment to officials at the time of the game and officials officiating games are not known prior to the games. This has been temporarily resolved by paying an outside entity to pay all officials in the WVIAC conference; however, it costs the*

Athletic Department more in this process and is a concern with limited funding available.

- *When the Team Travel cards were first implemented, travel expense settlement forms were not required by the College or the State Auditor's Office. This was corrected shortly after the College began utilizing the Team Travel card. The travel expense settlement forms became part of the requirement in the payment processing of the Team Travel cards.*
- *The College will evaluate the requirement of meal receipts for all institutional personnel and events.*
- *The amount of miles claimed for mileage reimbursements are double checked by institutional personnel along with verification that an institutional vehicle was not available. Since both the travel advances and employee travel reimbursements utilize the same travel policies and procedures, reimbursement of mileage was not considered to be an issue. The College no longer process reimbursement of mileage with any cash advances processes.*
- *Timeliness of settlement of cash advances along with Team Travel card continues to be an issue. The institution will provide additional training for athletic personnel and take a more stringent approach to those individuals not in compliance.*

3. Alteration of Documentation

On February 25, 2008, we conducted a cash count of moneys kept on-hand by the Bluefield State College (BSC) Athletic Director. These moneys included cash receipts collected for adult and student tickets sold during the 2007-2008 season at BSC men and women's home basketball games which totaled \$4,296.00.

A “Game Receipts” form is completed by the Athletic Department Secretary for each ticket seller. The information recorded includes (1) the date and description of the game, (2) name of ticket seller, (3) price of adult and student admissions (4) starting and ending ticket numbers for adult and student tickets, (5) total amount collected per adult and student; and (6) start up cash in cash box. After the conclusion of the event, the ticket sellers (the Athletic Department Secretary and extra help worker) use the form to record a reconciliation of tickets issued to moneys collected. Then, according to procedure, the ticket seller signs the form and it is submitted to the Director along with the collections and unsold tickets.

At the time of the cash count, we obtained copies of original Game Receipt forms (forms) for the 2007 – 2008 basketball season to support the cash count. The following day, the Director informed us that he had not given us all of the forms and, therefore, he had brought us what he characterized as a “complete set” of forms. Once we reviewed the “complete set” of forms, we determined the Director brought us the same copies that we had received at the time of the cash count. However, these particular copies differed from the copies we received at the time of the cash count by (1) having additional approval signatures not present on the original copies; and (2) “less starting cash amount” written on the form. Upon noticing the variances between the two sets of forms, we requested the original forms. Upon our review of the original forms, we noted **the original forms had been altered since our cash count.**

Our foregoing discussions with the Director and Athletic Secretary are detailed below:

- **February 28, 2008:** We spoke to the Director and explained the aforementioned situation to him. He told us that the forms should not be different and he did not know why the forms would be different. He further stated he did not keep duplicate forms.

- **February 29, 2008:** We spoke with the Athletic Department Secretary, and she told us she did not know why the documents would be different. She further stated she did not add signatures or change the 2007-08 forms.
- **March 4, 2008:** The Director provided us with a signed statement, which stated in part, **“...I had my Secretary, to go back after the Auditors received the copies and write the “amount less start up cash” and there is a possibility that she may have added her signature to these documents....” (Emphasis Added)**
- **March 4, 2008:** After explaining to the Athletic Department Secretary what the Director attested, she acknowledged writing the “amount less start up cash” on the forms. However, she claimed not to remember adding signatures (hers as well as the signatures of other ticket sellers) to the forms. Then, after further conversation, she stated that she had signed forms supporting the 2007-2008 game receipts within the last few weeks if they did not have signatures; however, she could not remember exactly when or which forms she signed. She provided us with a signed statement that stated, in part, **“...I did sign some of the ticket sales forms after the date of the game...”** She told us she had not been instructed to sign the forms. **(Emphasis Added)**

We believe BSC was in non-compliance with 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)**

The Director and the Athletic Department Secretary admitted to altering the documentation that supported cash receipts for sale of adult and student tickets sold during the 2007-2008 season at BSC men and women’s home basketball games. Thus, management override was executed by these employees to alter the aforementioned documents. Management override is commonly executed to (1) falsify documents, (2) cover up fraud, or (3) give the appearance that controls are in place that, in fact, do not exist.

Proper supporting documentation is required to be kept by State agencies to verify that the legal and financial rights of the public are being upheld. Such documentation, if properly used and retained, enhances controls over cash receipts and provides evidence that such moneys were properly collected and deposited. When documentation is altered, as was the case with the BSC 2007-2008 Game Receipt forms, the creditability of all documentation originating from the person or persons responsible must be questioned.

We recommend BSC implement proper management oversight over Athletic Department cash collections by requiring all moneys be deposited to the BSC Business Office within 24 hours of receipt, along with the game receipt forms. We also recommend a Cashier of the Business Office reconcile the moneys to the forms and affix his or her signature to the form upon verifying the moneys. Also, a copy of the approved form should be given to the Athletic Department to support the deposit and the original documentation should be retained by the BSC Business Office in order to comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code. Further, in no instances should documentation be altered subsequent to the preparation of the documents.

Spending Unit's Response

With new procedures and processes in place for receipt of funds, altering of any documentation will be detected at the time of receipt/deposit and resolved at the time of the deposit.

4. United Bank Travel Card

As stated previously in this report, beginning in April 2007 the Athletic Department began using the United Bank Travel Card in addition to cash advances from the local bank account for athletic travel expenses. Travel cards were issued to five Athletic

Department employees. Purchases totaling \$17,246.25 were placed on the United Bank Travel Cards, during the period of April 1, 2007 through June 30, 2007.

Even though the United Bank travel cards were issued in the name of the Athletic Department employees, the employees were not required to pay for the charges on the cards and seek reimbursement. Rather, BSC directly paid United Bank \$17,246.25 for charges placed on the five cards for the three-month period of April 2007 through June 2007.

West Virginia Purchasing Division, Travel Management Unit, Travel Rules, states in part:

“. . . 1.1...This rule governs in-state, out-of-state and international travel, hereinafter referred to as "travel," for state officials, employees and non-employees, except those in the legislative and judicial branches of state government and except the Attorney General, Auditor, Secretary of State, Treasurer, Board of Investments and Commissioner of Agriculture and their employees traveling on behalf of the state of West Virginia. . . .

9.1.1 Travelers should use the corporate charge card issued by the state of West Virginia for business related travel expenses. No personal purchases are permitted. The state and its agencies expect their employees to observe a standard of conduct which will not reflect discredit upon the integrity of their employees. Delinquency may result in suspension or cancellation of charging privileges. **The employee is responsible for all purchases and cash advances charged to his or her card.** Reimbursement from the state must be forwarded to the Corporate Travel Card Company. Employees may be requested to sign an acceptance of responsibility form, at the agency's discretion. . . ." (**Emphasis Added**)

Further, Higher Education Policy Commission Procedural Rule Title 133, Series 29, states in part:

“. . . 1.1.5 Each Governing Board shall promulgate travel rules, policies and procedures for managing travel at its institution(s) consistent with this rule, state and federal laws, and Internal Revenue Service (IRS) regulations. . . .

4.1.2 Employees are responsible for submitting a travel expense account settlement form, with all required receipts and attachments, to her or his institution within a reasonable amount of time after the last day of travel, as defined by the institution, in order to qualify for reimbursement of expenses or for payment....”

We believe the card holder is responsible for all purchases charged to his or her card and, therefore, should be responsible for remitting payment to the vendor for purchases placed on the card and subsequently seek reimbursement for legitimate Athletic Department travel costs paid with the card. It is our opinion if card holders are not required to remit payment for purchases made by them, then they may assume less responsibility for purchases and, as a consequence, be more apt to purchase non-allowed items on the travel card.

We recommend BSC discontinue paying employee’s travel cards. We further recommend BSC comply with West Virginia Purchasing Division, Travel Management Unit, Travel Rules and the Higher Education Policy Commission Procedural Rule Title 133, Series 29 by requiring all employees submit a Travel Expense Account Settlement form to BSC for reimbursement of travel expenses and, in turn, the employee should use the travel expense reimbursement to pay their own travel card billings.

Spending Unit’s Response

A state travel card is not always approved for employees; and at times create a difficult situation for the College and employees who are traveling on institutional business; therefore, the cash advance process is the only other option. In addition, the travel card issued in an individual employee name is reported on the employee credit report, and if large, may cause issues for the employee and his or her credit. If the team travel card is continued, and the employee fails to provide adequate documentation timely, the college will consider

Aanceling the team travel card for that coach and require the coach to seek his or her own method of funds.

5. Payments to Game Officials

During the period of July 1, 2005 through February 2007, the BSC Athletic Department paid game officials cash for officiating athletic events. After receiving payment for officiating athletic games, the game officials would sign a form to indicate he or she received the payment. Beginning in March 2007, BSC issued a check from the local bank account to the respective game official. Agency personnel informed us during the period of July 1, 2005 through February 2007, BSC did not keep track of the payments to game officials in order to determine if the payments should have been reported to the IRS as gross income, in compliance with the Instructions for Form 1099-MISC, which states in part,

“. . . File Form 1099-MISC, Miscellaneous Income, for each person to whom you have paid during the year: . . .

At least \$600 in rents, services...or generally, the cash paid from a notional principal contract to an individual, partnership, or estate; . . .” (Emphasis Added)

The West Virginia Inter-Collegiate Athletic Conference (WVIAC) told us it was the responsibility of the institution to track payments to game officials and report any payments of \$600 or greater to the IRS as gross income. However, the Director told us BSC believed the WVIAC was reporting the payments to game officials as gross income to the IRS. When BSC started using the local bank account to pay game officials, they became aware the WVIAC was not reporting the payments made by BSC to game officials to either the IRS or to the game officials. Thus, at that time, BSC began tracking and recording all payments made to game officials and, after the conclusion of the calendar year, reported these payments as required to the Social Security Administration on Form-1096 and to each game official on Form-1099.

We believe payments made to individuals for contract work totaling \$600.00 or more should be reported as required by IRS regulations. There were no efficient methods available for us to determine the amounts paid to game officials during our report period. Consequently, we could not establish the amount of payments made to game officials that BSC should have reported to the Social Security Administration as taxable income during our report period.

We recommend Bluefield State College comply with the Internal Revenue Service Instructions for Form 1099-MISC and report annual payments to individuals, partnerships or estates totaling \$600.00 or more to the Social Security Administration and to the individual, partnership or estate. Further, for payments to game officials during our report period, we recommend BSC determine what game officials were paid \$600.00 or greater during a calendar year and retro-actively issue a 1099-MISC, as needed.

Spending Unit's Response

BSC will review the process of reporting game officials in excess of \$600 via 1099 reporting for prior years after the current 5 audits are completed. BSC has a limited finance staff, serving two institutions, and the current mandates on personnel time is huge. BSC believes there are few, if any, in excess of \$600 in any one calendar year.

6. Unauthorized and Undocumented Expenditures

During our report period, the Athletic Department cash disbursements, (excluding payroll, team travel, purchasing card and transfers), totaled \$85,784.42. During our test of Athletic Department cash disbursements, we tested 29 of these cash disbursements totaling \$61,009.63 and noted three of these purchases, totaling \$1,006.55 were unauthorized by State statute, as detailed as follows:

<u>Date</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
3/11 to 3/13/2007	United Bank Card Center	Meals and lodging	\$ 900.48
05/22/2007	SC& C Flowers & Gifts	Flowers for employee's funeral service	43.10
06/23/2007	Dick's Clothing & Sporting Goods	1 pair of Air Max Moto (tennis shoes)	<u>62.97</u>
		TOTAL	<u>\$1,006.55</u>

Bluefield State College paid the United Bankcard travel card \$900.48 for out-of-State meal and lodging expenses incurred by the BSC golf team while at Charlotte, NC. However, according to the BSC golf schedule, the golf team did not have a scheduled match during the dates of the trip. After we inquired about the circumstances of the trip, the Director provided us with a written statement acknowledging the BSC golf team went to Charlotte during the 2007 spring break to have "golf practice."

Also, we noted Athletic Department purchased flowers costing \$43.10 for an employee's funeral service. In addition, the Athletic Department Secretary told us she purchased shoes costing \$62.90 for a summer work-study student.

In addition, during our report period two Athletic Department employees made 531 purchasing card transactions totaling \$99,238.25. We selected 62 of these transactions totaling \$23,446.16 for testing. While testing our sample of the 62 purchasing card transactions and our sample of 29 regular disbursement transactions, we noted 23 purchases totaling \$10,804.57 which did not have adequate documentation to allow us to determine for whom or for what purpose the purchases were made and, as a consequence, if the purchases were statutorily authorized. These are detailed below:

<u>Date</u>	<u>Vendor</u>	<u>Items Purchased</u>	<u>Amount</u>
07/15/2005	Shoe Carnival	Golf shoes	\$ 79.96
08/03/2005	WM Supercenter	Star basketball shorts for women;liquid tide	167.39
12/20/2005	Paypal	7 Wind Suit Navy/Gold	245.00
02/27/2006	Reebok Factory Direct Store Max Meadows	5 BEMO Low White/Sports Tennis Shoes & sportcentric DMX Max tennis shoes	151.76
11/18/2006	USGA Holiday Cards	Christmas tree and Winter Pro holiday cards	53.95

<u>Date</u>	<u>Vendor</u>	<u>Items Purchased</u>	<u>Amount</u>
01/12/2006	Bluefield ST College Bookstore	BSC Polo Shirt	34.16
02/22/2006	Eastbay Catalog	1 Nike running shirt and 1 pair of tennis shoes	125.95
03/10/2006	Spartan Sporting Goods	Jersey's and t-shirts	420.00
08/17/2006	Dicks Clothing & Sporting	3 pairs of Fancy Dazzle Shorts, 3 Nike Money shirts, 3 mesh shorts, & 3 pairs of Iebron Shorts	188.72
09/2006	Dixie Sporting Goods	18 basketball shoes, 20 pairs of shorts, and 1 pair of free trainer basketball shoes	1,966.94
11/2006	The Neff Company	15 Wool jackets, 15 chenille (single letters), and 15 chenille (custom word)	1,800.00
12/2006	Sport Mart	Socks, shirts, jerseys, scorebook, white caps, basketballs, shoes, tennis balls, and sport pack bags	1,933.24
02/08/2007	Rycon Graphics Inc	hooded sweatshirts, t-shirts, and longleeve shirts	1,868.25
03/13/2007	Food Lion (Savannah, GA)	Deep Woods "off" spray, Listerine, Crest toothpaste, and 2 bags of ice	55.09
8/12/2006	A W Couch, Inc	Rental Car	210.00
11/22/2006	Sam's Club	Clothing	122.88
8/21/2006	A W Couch Inc	Rental Car	280.00
7/28/2006	Employee Reimbursement	Lodging	566.96
8/21/2006	A W Couch Inc	Rental Car	210.00
12/18/2006	Ryans Restaurant Groups Inc	Meals	130.55
12/16/2006	Employee Travel Reimbursement	Mileage reimbursement for taking students to airport	100.95
9/13/2006	Ryans Restaurant Groups Inc	Meals	53.03
8/23/2006	Ryans Restaurant Groups Inc	Meals	39.79
TOTAL			<u>\$10,804.57</u>

The Director and Athletic Secretary told us the purchases of shoes, clothing, and meals were made for student athletes. The Director further told us the mileage reimbursement was for taking recruits to the airport.

During the testing of Athletic Cash Advances totaling \$228,463.11 issued during the period of July 1, 2005 through February 2007, we noted \$6,913.00 paid for meals and \$1,759.91 paid for lodging for games not reflected on game schedules provided to us by BSC. Thus, we were unable to determine if the purchases were authorized by State statute.

The Director initially told us these were probably make-up games; however, he was unable to provide us with any documentation to support this claim. In response to later inquiries, the Director stated he did not know the reason for these travel payments.

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

The West Virginia Higher Education Purchasing Procedures Manual, states in part,

“. . . 2.4.1 Responsibility for ensuring institutional compliance with state law and the rules, policies and procedures of the Commission and the Governing Board shall rest with and be the obligation of the Chief Procurement Officer. . . .”

The State Purchasing Card Program, Policies and Procedures, Section 12.2, states in part,

“. . . The purchasing card coordinator must ensure proper oversight of purchasing card use . . . This includes a thorough review of the purchasing card master statement and assurance that each transaction is for official state business.” **(Emphasis Added)**

The Purchasing Director, who is also the P-Card Coordinator, stated he considers anything that is purchased for a sports team as being for State use. We believe there is a lack of management oversight over Athletic Department purchases. Since the purpose of the purchases were not documented, it is possible that BSC could have paid for items or services which were unauthorized by State statute. Further, the legitimacy of such purchases cannot be determined in a post audit.

We recommend BSC comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, the West Virginia Higher Education Purchasing Procedures Manual and the West Virginia State Purchasing Card Program, Policies and Procedures, Sections 6.1 and 12.2. We also recommend BSC implement a procedure requiring proper management oversight of purchases and require all purchases be properly documented. Finally, we recommend BSC develop a policy requiring each student athlete to sign a receipt form when they receive meals or clothing funded by BSC moneys.

Spending Unit's Response

BSC will provide greater oversight and document in detail all purchases related to Athletics and develop a process to document student athlete receipt of meals and clothing.

7. Athletic Tuition Waivers

We were unable to audit athletic tuition waivers valued at \$139,917.00 granted to student athletes during our report period due to a lack of supporting documentation. The BSC verbal procedure is to issue 45 athletic tuition waivers to student athletes per school year. The Director stated each athletic coach has a budgeted amount and is required to provide him with a NCAA squad list which details the student athlete and the amount of the tuition waiver issued to each student. The Director signs the NCAA squad list to show his approval and sends the list to the Financial Aid Office. The Director of Financial Aid determines if the students have met NCAA guidelines and the Registrar's Office determines if the returning athletic students have met the academic eligibility requirements. An Award Notification Letter is sent to the student athletes notifying them of the tuition waiver and any other type of financial aid assistance.

The BSC was unable to provide us with the NCAA Squad Listing and Award Notification Letters for all athletic tuition waivers issued during the report period of July 1, 2005

through June 30, 2007. The Director of Financial Aid stated BSC has disposed of the original Students Award Letters for the past 10 years; however, it is noted in the Banner system that the award letters were sent. Also, the Director told us he forwarded the original signed NCAA squad lists to the West Virginia Intercollegiate Athletic Conference (WVIAC) and did not keep the original or copies for his records.

Without the NCAA squad lists, we were unable to determine if proper authorization was given for the athletic tuition waivers issued during our report period. Also, without the Award Notification Letters, we were unable to determine whether the proper tuition waiver amount was issued to the athletic students.

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

“. . . 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)

A National Association of Student Financial Aid Administrators (NASFAA) interpretation provided to us by the Director of Financial Aid states in part,

“. . . When awarding Title IV funds, schools may, but are not required to, send a student an award letter. . . .”

If a school chooses to send such award letters, they should contain at the minimum the following information:

. . . how that student's financial aid will be met . . .”

Section 4 of the Financial Aid Office Policies and Procedures Manual states in part:

“Records/Reporting . . .

2. The Financial Aid Director maintains:

c. Squad lists for all sports . . .”

We recommend BSC implement proper management oversight to ensure tuition waivers are issued in compliance with West Virginia Code and internal policies. Also, we recommend the College keep original documentation to support financial aid disbursed to students in accordance with Chapter 5A, Article 8, Section 9 of the West Virginia Code, NASFAA rules and regulations, and the Financial Aid Office Policies and Procedures Manual.

Spending Unit's Response

- *With the new procedures BSC has implemented effective July 1, 2008 concerning the awarding of tuition waivers, BSC is now tracking all awards, both academic and athletic, through the Vice-President for Student Affairs and Enrollment Management office. A memo was sent to the athletic coaches in May, 2008 to implement the new procedure. Under the new law there is a calculated dollar amount for awards, which are tracked in our database. When an athletic waiver award is made, it is recorded in the scholarship database maintained in the Vice-President's office. Award letters for the waivers are generated, requiring the student to respond by accepting the award. These signed acceptances (both athletic and academic) are also maintained. The Vice-President's office transmits all awards when they are accepted and maintains an electronic record of all transmittals indefinitely on the institutional mainframe computer, which is backed up nightly. The data is also maintained in the scholarship*

database which lists amounts offered and accepted, which database is also on the institutional mainframe computer.

- *The Registrar's Office currently maintains all athletic squad lists indefinitely. The Financial Aid Office will be instructed to retain the athletic squad lists for whatever time period is required.*
- *Related to the maintenance of the award letters by Financial Aid, the standard procedure is to maintain a record in GUAMAIL that a particular letter has been sent; the physical letter is not maintained. The amounts of all tuition waivers are permanently recorded in BANNER.*
- *We have used the practice of retaining paper records for three years, following Federal guidelines. As previously indicated the electronic records of awards are permanent and reflect all awards to athletes during the period under review. The College requests direction on what paper records need to be maintained and for how long.*

8. Invoices Not Timely Processed for Payment

As stated previously, the Athletic Department cash disbursements, (excluding payroll, cash advances and their settlements, purchasing card payments, and transfers), totaled \$85,784.42 during our two-year report period. We tested 29 Athletic Department cash disbursements totaling \$61,009.63 and noted 16 (55.17%) disbursements totaling \$44,383.07 were processed in excess of ten days from receipt of the invoice. The amount of time elapsed from receipt of the invoice until the invoice was processed ranged from a minimum of 17 days to a maximum of 78 days and averaged 35 days. These instances are detailed as follows:

<u>Date Received</u>	<u>Date Processed</u>	<u>Number of Working Days</u>	<u>Transaction Amount</u>
6/14/2006	7/13/2006	29	\$10,000.00
10/1/2006	11/9/2006	39	24,889.00
5/22/2007	6/18/2007	27	1,462.14
1/12/2007	2/8/2007	27	1,537.53
9/19/2006	10/6/2006	17*	1,273.34
5/22/2007	6/18/2007	27	2,917.36
7/17/2006	8/10/2006	24	115.00
1/30/2007	3/16/2007	45	103.00
11/21/2006	1/8/2007	48	204.00
10/24/2006	11/22/2006	29	122.88
5/11/2006	7/28/2006	78	566.96
7/28/2006	8/17/2006	20	900.00
3/19/2007	4/6/2007	18	156.75
1/9/2007	2/13/2007	35	100.95
6/9/2006	8/10/2006	62*	<u>34.16</u>
		Total	<u>\$44,383.07</u>

*Receiving report was not signed within 24 hours of receipt.

The Accounting Department personnel told us payments were not made timely because the Athletic Department did not complete and submit necessary documentation and information in a timely manner. Related to days BSC did not process the aforementioned transactions timely, three of these transactions, totaling \$25,490.12, were not issued for payment within 60 days of receipt of the invoice as required by the West Virginia Prompt Payment Act. As a result, BSC was liable for interest charges from the 61st day after the invoice was received by the State agency until the date the State check was mailed to the vendor.

Of 29 transactions tested, four transactions required the completion of a receiving report. We noted two of the four, or 50%, transactions did not have a receiving report prepared within 24 hours of receiving commodities. For the State to avoid paying interest to vendors for late payment of legitimate and uncontested invoices, invoices, other required supporting documents and receiving reports should be submitted to the State Auditor's Office in a timely manner for processing.

Of the four transactions tested requiring a receiving report, we noted one transaction in which an accounting technician completed and signed the receiving report for sweat suits and shoes totaling \$1,273.34—even though she did not receive the commodities. The accounting technician told us she has completed receiving reports in order to expedite payments on occasions where she did not receive the merchandise. She further stated that she no longer completes receiving reports for items that she does not physically receive. Since the accounting technician did not receive the commodities, the possibility exists that the commodities may not have been received by BSC and payment of the invoices may have been made in error.

Additionally, we noted three transactions totaling \$700.00 did not have a date/time stamp or an invoice date; therefore we were unable to determine whether the invoices were processed in compliance with Prompt Pay Act.

Chapter 5A, Article 3, Section 54 of the West Virginia Code (Prompt Pay Act) states in part:

“. . . (b) (1) Except as provided in subdivision (2) of this subsection, for purchases of services or commodities made on or after the first day of July, one thousand nine hundred ninety-one, **a state check shall be issued in payment thereof within sixty days after a legitimate uncontested invoice is received** by the state agency receiving the services or commodities. Any state check issued after such sixty days shall include interest at the current rate...

(d) The state agency initially receiving a legitimate **uncontested invoice shall process such invoice for payment within ten days** from its receipt. . . .” (**Emphasis Added**)

Chapter 12, Article 3, Section 10, of the West Virginia Code, states in part,

“A receiving report shall be submitted to the state auditor verifying the receipt of commodities by a state spending unit....The state officer or employee acting as head of each spending unit is responsible for the completion and timely submission of the receiving reports, **which shall be prepared at the original point of receipt of the commodities**...The receiving reports required by this section shall be prepared within twenty-four hours of the receipt of the commodities.” (**Emphasis Added**).

West Virginia Higher Education Purchasing Procedures Manual, states in part,

“. . . 9.2.2 The state officer or employee acting as head of each spending unit is responsible for the completion and timely submission of the receiving reports, which shall be **prepared at the original point of receipt** of the commodities” (**Emphasis Added**)

For the State to avoid paying interest to vendors for untimely payment of legitimate and uncontested invoices, invoices and other appropriate documentation, including receiving reports (completed by the employee at the time of receipt), need to be submitted to the State Auditor’s Office in a timely manner for final processing.

We recommend the BSC comply with Chapter 5A, Article 3, Section 54 and Chapter 12, Article 3, Section 10, of the West Virginia Code and West Virginia Higher Education Purchasing Procedures Manual and implement proper management oversight to ensure the Athletic Department remit the proper supporting documentation necessary for invoices to be processed for payment within ten days of receipt in accordance with State statute and that invoices are date/time stamped when received. Further, we recommend the College designate employees to receive commodities and that those employees are responsible for timely completion of the receiving reports.

Spending Unit's Response

BSC will reevaluate the employees designated to sign receiving reports and will work with the Athletic Department to insure proper paperwork and invoices are filed timely. There are times vendors invoice for the total items and amount of purchases, but all items have not been received. The College will work to document this issue more in the future.

9. Lack of Proper Supporting Documentation

As stated previously in the report, during our report period, the Athletic Department cash disbursements, (excluding payroll, cash advances and their settlements, purchasing card payments, and transfers), totaled \$85,784.42. We selected 29 of these cash disbursements totaling \$61,009.63 for testing. We noted 18 of these transactions, totaling \$15,201.31, lacked proper supporting documentation. Therefore, we were unable to determine whether or not the purchases were authorized by State statute. These are scheduled below.

<u>Date</u>	<u>Vendor</u>	<u>Missing Documentation</u>	<u>Amount</u>
5/7/2007	United Bank Card Center	Itemized receipt	\$ 391.60*
6/18/2007	United Bank Card Center	Itemized receipt	169.54*
6/18/2007	United Bank Card Center	Itemized receipt	406.01*
12/10/2005	Papa John's Pizza	Receipt	61.00
12/10/2005	Papa John's Pizza	Receipt	101.00
07/26/2006	Henry Schein	Receipt	541.36
11/5/006	Gabriel Bros	Receipt	31.79
8/9/2006	Varsity Spirit Clothing	Receipt	1,610.00
12/29/2006	Acushnet Company	Receipt	525.00
02/24/2007	Papa John's Pizza	Receipt	93.99
03/20/2007	BSC College Bookstore	Receipt	54.95
7/13/2006	WVIAC	Purchase Order	10,000.00
12/18/2006	Ryans Restaurant Groups	Purchase Order, itemized receipt	130.55
9/13/2006	Ryans Restaurant Groups	Purchase Order, itemized receipt	53.03

<u>Date</u>	<u>Vendor</u>	<u>Missing Documentation</u>	<u>Amount</u>
8/23/2006	Ryans Restaurant Groups	Purchase Order, itemized receipt	39.79
6/18/2007	United Bank Card Center	Receipt	22.29*
5/7/2007	United Bank Card Center	Receipts	402.44*
7/28/2006	Employee Reimbursement	Travel form, lodging receipt	<u>566.97</u>
		Total	<u>\$15,201.31</u>

*BSC direct payment to United Bank Card for travel expenses.

According to Accounting Department personnel, the Athletic Department did not submit proper supporting documentation for aforementioned transactions. Further, the Purchasing Director told us because of time constraints of processing p-card payments, in lieu of an itemized receipts, he accepts p-card exception sheets. He also told us some occurrences where there was lack of a receipt or p-card exception sheet must have been an oversight due to the large amount of transactions he reviews.

Also, during testing, we noted a duplicate p-card disbursement transaction totalling \$447.56 to BSC Café, operated by an outside vendor at the time of payment. The Accounting Department agreed the transaction was a duplicate and the vendor did not refund the overpayment. Accounting Department personnel informed us that there is no accounting procedure in place to discover duplicate payments made on the p-card. Since there is a lack of management oversight over the Athletic Department cash disbursements and there is no accounting procedure in place to “red flag” duplicate p-card transactions, the possibility exists that duplicate payments made on p-cards may go unnoticed, as did the above mentioned transaction. Chapter 12, Article 3, Section 9 of the West Virginia Code, states in part,

“... Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the state treasury, shall, before any such money is paid out of the state treasury, **certify to the auditor that the money for which such requisition**

is made is needed for present use for the purposes for which it was appropriated; and the auditor shall not issue his warrant to pay any money out of the state treasury unless he is satisfied that the same is needed for present use for such purposes....”
(Emphasis Added)

State Purchasing Card Program, Policies and Procedures, Section 7.1, states in part,

“ . . . Receipts: **An itemized receipt must be obtained for each transaction placed on the card.** A receipt must contain specific information and meet certain conditions . . .” **(Emphasis Added)**

Bluefield State College Purchases System Narrative, states in part,

“ . . .Orders for purchases of less than \$25,000 are processed internally are in the form of a Petty Purchase Order. . . .”

Bluefield State College Purchases System Narrative Section 24.0 Terminology , states in part,

“ . . .**ITEMIZED INVOICE: An invoice that breaks down the expenditures in a manner that it can be clearly understood.** All invoices shall be itemized prior to submission to the purchasing office. All non itemized invoices will be returned. Included in this area is reimbursements. Both the BSC invoice and proof of payment shall be itemized. . . .” **(Emphasis Added)**

Bluefield State College is in noncompliance with West Virginia Code, State Purchasing Card Program, Policies and Procedures and internal rules. Due to the lack of proper management oversight over the Athletic Department cash disbursements to ensure proper documentation was available to support transactions, the possibility exists that BSC could pay for services not rendered or purchases could have been made by the Athletic Department for personal gain and gone unnoticed.

We recommend BSC comply with Chapter 12, Article 3, Section 9 of the West Virginia Code; the State Purchasing Card Program, Policies and Procedures, Section 7.1; and internal rules and implement proper management oversight to ensure proper documentation supports every cash disbursement, including purchasing card, transaction.

Spending Unit's Response

BSC will require an itemized receipt of all purchases, although an itemized receipt has been a standard requirement but not always adhered to. The College believes there was proper documentation for the payment of \$10,000 to the WVIAC for association dues. The State Budget Office requires pre-approval on all association dues prior to payment, which requires approval from the employees who have signature authority and authority to commit institutional funds (at BSC, the President or Vice-President of Financial and Administrative Affairs). The association dues list is reviewed prior to submission by institutional personnel (by President's Cabinet) to the State Budget Office. This process is established when the State Expenditure Schedule is filed in May for the following fiscal year. The WVIAC dues were on the pre-approved list. Due to the requirement for pre-approval, the College does not require a purchase order since the approval has already occurred. The process for association dues was omitted (we believe) from the narratives developed by the Legislative Auditors and signed by institutional personnel which was an oversight.

10. Game Workers' Payroll

During our report period, BSC paid payroll expenditures totaling approximately \$17,000 to game workers of BSC basketball and volleyball games, as well as Bluefield High School (BHS) basketball games held at the Bluefield campus. During testing of Game Worker Payroll, we noted BSC does not have an internal policy governing game workers' payroll, or a policy governing invoicing entities for recovery of expenses and rental fees, which we believe contributed to BSC (1) improperly paying game workers' and (2) not generating and keeping documentation to support the amount invoiced to an entity for reimbursement of game workers' payroll and rental fees.

The Director informed us that during our report period, game workers were paid (1) \$30 for working a double header basketball game; (2) \$20 for working a single basketball game; and (3) \$25 for working a volleyball game. During our two-year report period, documentation indicated there were 95 home (volleyball, basketball and BHS basketball) games. We selected 16 for our test and noted five where game workers were improperly paid. These are detailed in the following table:

WVFIMS Document Number	Game Date	Game Type	Payroll Amount Paid for Game	Recalculated Amount	Difference
W29447	11/18/2006	WBB-Tournament	\$200.00	\$300.00	(\$100.00)
W29902	9/8/2006	VB	200.00	250.00	(50.00)
W29972	12/15/2006	BHS	150.00	100.00	50.00
W29972	1/13/2007	Double Header	270.00	300.00	(30.00)
W30509	2/17/2007	BHS	<u>30.00</u>	<u>20.00</u>	<u>10.00</u>
		Total	<u>\$850.00</u>	<u>\$970.00</u>	<u>(\$120.00)</u>

For the November 18, 2006, December 15, 2006 and February 17, 2007 basketball games, documents indicate the game workers were paid the incorrect rate of pay for working either a single game or a double header. For the November 18, 2006 game, the Director stated only one game was paid because the second team was a “no show”. For the December 15, 2006 and February 17, 2007 games, the Director told us there could have been junior varsity (JV) game played the same day and not reflected on the game schedule. However, he was unable to provide us with documentation to support this.

For the September 8, 2006 volleyball game and the January 13, 2007 basketball game, we noted game workers were not paid by BSC. The Senior Project Coordinator/Payroll stated game workers were not paid for the games because the game workers did not complete a W-4.

Further, we noted a game worker was paid a total of \$4,707.50 and BSC paid employer share of Social Security and Medicare taxes for the employee, totaling \$360.13, during our report period; however, agency personnel were unable to provide us with the worker's W-4.

During the documentation of procedures, we also noted BSC allowed BHS to host their home games on the BSC campus and the Director told us, in turn, he issued an invoice to BHS in the amount of game worker payroll expenses incurred by BSC. The Vice President for Financial and Administrative Affairs also provided us with an internal policy stating rental of the gymnasium is \$20 per hour or \$100 per day. Due to lack of documentation to support the hours the gymnasium was rented by BHS, we were unable to determine if BSC properly invoiced BHS for the two BHS games included in our test. BSC was paid a total of \$310.00 for reimbursement for these games. The Director could not provide us with documentation to support how he calculated the amount invoiced to BHS. The Director provided us with documentation that indicated BSC hosted nine BHS games during our report period.

Chapter 12, Article 3, Section 13 of the West Virginia Code, states:

“No money shall be drawn from the treasury to pay the salary of any officer or employee before his services have been rendered.”

Chapter 18B, Article 10, Section 15 of the West Virginia Code, states in part,

“. . . (a) The governing board of each state institution of higher education may provide special services and special programs at such institutions and may fix and collect special fees or charges therefore. . . .

(b) All fees or charges collected for any such special services or programs shall cover the total cost of the service or program. . . .”

Also, the Fair Labor Standards Act Section 778.223 states in part:

“Under the Act an employee must be compensated for all hours worked. As a general rule the term “hours worked” will include (a) all time during which an employee is required to be on duty or

to be on the employer's premises or at a prescribed workplace and (b) all time during which an employee is suffered or permitted to work whether or not he is required to do so."

BSC's internal policy "Fees Charged for Various Facilities of the College", states in part,

". . .The purpose or function of this policy is to establish fees for the various facilities of the college. . . .

Fees for some college facilities are to be charged as follows:
Gymnasium \$20.00/hr

\$100.00/day. . ."

BSC does not have an internal policy to govern the game worker payroll or a policy governing invoicing entities for recovery of expenses and rental fees. This resulted in BSC (1) improperly paying game workers and (2) not generating and keeping documentation to support the amount invoiced to an entity for reimbursement of game workers' payroll and rental fees.

We recommend BSC establish internal policies and implement proper management oversight to govern the game workers' payroll and the invoicing of reimbursements and rental fees to BHS. Also, we believe employment paperwork should be completed by game workers prior to working a game. Further, we recommend BSC comply with Chapter 18B, Article 10, Section 15 of the West Virginia Code; Chapter 12, Article 3, Section 13 of the West Virginia Code; the Fair Labor Standards Act and BSC internal policies.

Spending Unit's Response

BSC will evaluate the needs for additional oversight of game workers' payroll and the invoicing of reimbursements and rental fees to BHS. BSC will improve its processes to more effectively manage the game workers' payroll and utilization of our facilities. BSC

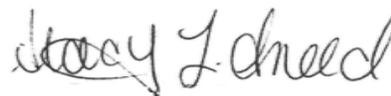
has an institutional process in place for any person employed requiring pre-approval and the College will re-evaluate this requirement and determine how to enforce it.

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 25th day of August 2008.



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; Bluefield State College; Governor; Attorney General; State Auditor; and Director of Finance, Department of Administration.