

POST AUDIT DIVISION

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April 30, 2019
LEGISLATIVE AUDITOR
LETTER REPORT

Division of Justice & Community Services - Federal Grant Transfer Procedures

LEGISLATIVE AUDITOR'S STAFF CONTRIBUTORS

Aaron Allred..... Legislative Auditor
Justin Robinson..... Director
Stan Lynch, CPA..... Deputy Director
Judy Strawderman..... Senior Auditor
Rueben Kerns..... Auditor
Nathan Hamilton..... Referencer

GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS STATEMENT

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (**GAGAS**). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

WEST VIRGINIA LEGISLATIVE AUDITOR'S OFFICE

Post Audit Division

1900 Kanawha Blvd. East, Room W-329
Charleston, WV 25305-0610
(304) 347-4880



Justin Robinson
Director

April 30, 2019

The Honorable Mitch Carmichael, President
West Virginia State Senate
Post Audits Sub-Committee, Co-Chair
Room 229 M, Building 1
State Capitol Complex
Charleston, WV 25305

The Honorable Roger Hanshaw, Speaker
West Virginia House of Delegates
Post Audits Sub-Committee, Co-Chair
Room 228 M, Building 1
State Capitol Complex
Charleston, WV 25305

Mr. President and Mr. Speaker:

In September of 2018, Cabinet Secretary Jeff Sandy of the Department of Military Affairs and Public Safety (DMAPS) requested the Legislative Auditor review the Division of Justice and Community Services' (DJCS) administration of its federal grant funds. This request was based on concerns regarding transfers of funds between DJCS's federal grant funds and its general revenue fund. Additionally, the Legislative Auditor was provided information that alleged DJCS made improper transfers of federal grant funds during Fiscal Year 2019.

The DJCS operates as a pass-through entity for federal grant programs funded through the U.S. Department of Justice - Office of Justice Programs. A pass-through entity receives federal funds which it "passes on" to "subrecipients". All DJCS federally funded grant programs are "reimbursement-only" grants. As such, to obtain reimbursement for applicable grant program expenses, subrecipients must first incur an applicable program expense and then seek reimbursement by submitting invoices and required documents supporting the expense to the pass-through entity. If the subrecipient expense is approved for payment, the pass-through entity can then "drawdown" federal funds in order to reimburse the subrecipient.

DJCS Expense Transfers Between Federal Grant Program Years

We conducted a review of DJCS’s grant fund transactions in wvOASIS¹ for the period of July 1, 2018 through February 15, 2019. Through this review, we noted four transfers of expenses that had been previously been incurred, paid, and recorded in wvOASIS for prior years. The transfers moved the expenses from more recent grant program years, from which they were originally recorded, to older grant program years within the Juvenile Justice and Delinquency Prevention Grant Program (JJDP). These transfers totaled approximately \$220,000 and were specific to federal funds accounted for in DJCS’s Consolidated Federal Funds General Operating Fund (Fund 8803). The table that follows details each transfer:

Transfer Date	Amount of Transfer	Description of Transfer
10/29/2018	\$14,134.55	Transferred 2013 Expenses to 2012 Expenses
10/29/2018	\$4,150.16	Transferred 2013 Expenses to 2011 Expenses
11/15/2018	\$89,859.27	Transferred 2013 Expenses to 2010 Expenses
11/15/2018	\$111,608.89	Transferred 2017 Expenses to 2013 Expenses
Total	\$219,752.87	

There was no supporting documentation attached for these transfers in wvOASIS that explained why the transfers were needed as there was only a recorded comment stating, “CONV ENTRY POSTED TO WRONG PPC²,” Therefore, we were unable to determine the justification for these transfers through our review process. Internal transfers of this nature are processed within wvOASIS at the agency level and do not require the review or approval of additional supporting documentation by the State Auditor’s Office for the transfer to be completed. While such documentation is not required for the transfers to be processed in the wvOASIS system, providing documentation and making note within wvOASIS of the purpose of the transfer provides a proper audit trail for the transfers and adds an increased layer of transparency and accountability.

After inquiring about the transfers in a letter dated February 25, 2019, we were subsequently informed by Secretary Sandy on February 28, 2019, that the four expense transfers were made to correct erroneous wvOASIS entries that “...occurred years ago”. According to the Secretary, the adjustments placed expenses that had already occurred to the proper fiscal years in order to reconcile the accounting records for the years in question.

The Post Audit Division agreed with the justification provided. However, the Legislative Auditor notes that such correcting entries should have been:

- (a) fully supported with attached documentation in wvOASIS to provide evidence for the validity of the transactions for the purpose of advancing administrative functions and external audit procedures; and

¹ wvOASIS is the State’s Enterprise Resource Planning (ERP) system. The system is an integrated suite of modules for administrative functions, including budgeting, expenditures, revenues, procurement, asset management and payroll.

² PPC is abbreviation for “Program Period Code.” This code designates the period when funding is available for obligations incurred by grant recipients.

- (b) made as soon as possible after they were discovered. Regularly performed reconciliations of wvOASIS accounting records to external³ records should serve to detect such errors within a reasonable time frame. Failure to do so increases the risk that fraudulent and/or erroneous transactions will remain undetected.

Expense Transfers Between the DJCS's Federal Fund and General Revenue Fund

The Post Audit Division also performed a review in wvOASIS of all transfers made between DJCS's Consolidated Federal Funds General Operating Fund (Fund 8803) and the DJCS's General Revenue Fund (Fund 0546) for the period of July 1, 2014 to April 9, 2019. We noted that on September 21, 2018, DJCS moved \$20,000 of expense disbursements previously recorded in its federal fund to its general revenue fund.

The purpose of the transfer was to permit DJCS to reimburse grant recipients for invoiced federal grant program expenses prior to receiving the federal drawdown for these expenses. According to the comment recorded in wvOASIS, the expenses were to be moved temporarily until the "...federal drawdown is received." The transfer of expenses was reversed seven days later, presumably after the drawdown was received.

According to the Department of Justice – Office of Justice Programs, typically it takes only four business days to receive drawdowns after a drawdown request has been made.⁴ Considering the typical 4-day drawdown period, it would seem unnecessary for DJCS to pay federal obligations from State funds prior to receiving drawdowns.

Further, paying federal obligations from State funds and subsequently reimbursing the State after receiving the federal drawdown needlessly adds to the number of accounting transactions and records. This, in turn, complicates recordkeeping and may possibly obscure transaction audit trails. An audit trail is used by both external and internal auditors to trace transactions through an accounting system, as well as by the accounting staff to track down errors.

Lastly, the Legislature appropriates funds every State fiscal year to the DJCS General Revenue Fund for explicit purposes as outlined in the Legislative budget bill. For Fiscal Year 2019, the fiscal year these transfers occurred, there were no appropriations made for the purpose of paying, even on a temporary basis, federally-funded grant expenditures to subrecipients.⁵

DJCS Internal Review of Grant Accounting Procedures and Proposed Corrective Measures

The Post Audit Division met with DJCS Director Joe Thornton and Chief Financial Officer of DMAPS Michael Cutlip on Thursday, March 7, 2019 to further discuss the questionable expense transfers noted in our review, as well as DJCS's general administrative grant management procedures and processes.

Director Thornton stated that in February 2019, he requested Mr. Cutlip conduct an intra-departmental review of DJCS's procedures and processes in accounting for grant funds. After

³ Records external to wvOASIS could include paper documents, spreadsheets, or Federal records of grant disbursements and balances.

⁴ <https://ojp.gov/about/offices/ocfogprs.htm>

⁵ The expenses were temporarily added (debited) to the General Revenue appropriation for Child Advocacy Programs.

completing his review, Mr. Cutlip met with Director Thornton to communicate his findings and recommendations. Director Thornton and Mr. Cutlip stated the following reasons that DJCS grants accounting staff were processing transfers like those previously noted in this letter:

1. Staff desired to pay expenses prior to properly allocating grant program costs to the appropriate grant programs and related funds. Once costs were allocated, it was necessary to reimburse program accounts and related funds that were used to initially pay expenses; and
2. Staff desired to pay grant program expenses applicable to federal funding prior to receiving the federal drawdowns for those expenses. After drawdowns were received, it was necessary to reimburse those non-federal accounts used to initially pay the expenses.

Mr. Cutlip added that DJCS grant processing procedures had not been updated since July 2013—which was prior the implementation of wvOASIS as the State’s accounting system. During this discussion, it was agreed that the outdated procedures and lack of training for processing payments for applicable federal program expenses in wvOASIS were the likely causes for the transfers. Per our request, Director Thornton provided an overview of Mr. Cutlip’s findings and recommendations in a March 20, 2019 letter to the Post Audit Division (Attachment A). Director Thornton stated the intra-departmental review “...did not uncover any mismanagement of funds or accounting malfeasance...” However, Mr. Cutlip recommended updating DJCS policy to limit “...the excessive use of Internal Governmental Transactions to adjust and shift [grant] expenses...” Based on the Post Audit Division’s review of the transfers and the discussion with Director Thornton, the Legislative Auditor agrees with this conclusion and makes the following recommendations.

Recommendations:

1. The Legislative Auditor recommends DJCS update their grant accounting procedures to provide specific instructions for employees to follow in properly processing and recording grant transactions. The Legislative Auditor also recommends DJCS conduct staff training, as needed, to ensure those employees responsible for grant transactions are aware of and follow these procedures;
2. The Legislative Auditor recommends DJCS limit expense and fund transfers to the extent possible. When such transfers are found to be essential in order to correct previously made erroneous accounting entries, DJCS policy should require employees responsible for wvOASIS entries to obtain prior management approval before initiating such transfers;
3. The Legislative Auditor recommends DJCS ensure fund and expense transfers are adequately documented in wvOASIS. The uploaded documentation should clearly validate why a particular fund or expense transfer was necessary; and

4. The Legislative Auditor recommends DJCS work with the West Virginia State Auditor's Office in developing wvOASIS applications and reports designed to assist DJCS in processing and administering grant funds.

Respectfully Submitted,



Justin Robinson
Director

Attachments: Attachment A – *Director Thornton Letter*, Page 6
Attachment B – *Report Transmittal Letter*, Page 8
Attachment C – *DMAPS Response to Report*, Page 9



Joint Committee

MAR 20 2019

Post Audit Committee

March 20, 2019

Justin Robinson, Director
Legislative Post Audit Division
Building 1, Suite W-329
Charleston, West Virginia 25305

Dear Director Robinson:

Upon my appointment as Director of the Division of Justice and Community Services (DJCS) on August 1, 2018, and meeting with key agency personnel, I requested a meeting with you and your staff that took place on September 18, 2018 to discuss the desire for a fiscal audit and/or review of DJCS. As a new director of an agency with a \$44 million budget, I believed it to be in everyone's best interest to ensure all funds were accurately accounted for and policy, processes and procedures are in line with national best practices for administering public funds.

Over the next several months, with limited knowledge of Legislative Post Audit's time to audit the DJCS fiscal unit, and a professional desire to feel confident in the fiscal accountability of public funds, I requested an intra-departmental review of DJCS fiscal procedures, processes and general accountability practices.

In February of 2019, upon concurrence of Department of Military Affairs and Public Safety (DMAPS) Secretary Jeff Sandy, I asked DMAPS CFO Michael Cutlip if he would be willing to spend some time at DJCS reviewing the fiscal unit, specifically accounting entries in Oasis as well as the unit's policies and procedures for managing grant disbursements. Over the next couple of weeks Mr. Cutlip spent time with staff at DJCS, discussing the role of each and their day-to-day tasks, reviewing policy and fiscal transactions. This review culminated in Mr. Cutlip's submission of a report outlining the findings of his review and establishing recommendations for strengthening the unit's work product.

Mr. Cutlip's review did not identify any mismanagement of funds or accounting malfeasance, his report did include recommendations – from updating current policy and procedure to limiting the excessive use of Internal Governmental Transactions to adjust and shift expenses already made to the appropriate account. These recommendations and findings will strengthen the agency's accounting practices and be a focus of implementation to ensure the fiscal unit at DJCS is regularly practicing financial responsibility and utilizing best practices at all levels of the fiscal process.



Joint Committee

MAR 20 2019

Post Audit Committee

Justin Robinson, Director

March 20, 2019

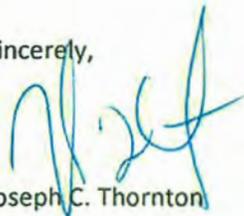
Page 2

During the intra-departmental review DJCS was contacted by Legislative Post Audit regarding some transactions made by DJCS fiscal staff in Oasis that occurred in October and November 2018 that were specific to funding years 2010, 2011 and 2012. We gathered the information to submit to your office that explained those were not fund transfers, but merely movement of already occurred expenses from closed grant cycles to ensure expenses were appropriately matched to the proper funding units.

After this exchange of information, Mr. Cutlip and I met with you and key staff at Legislative Post Audit to discuss potential further action; if desired and/or necessary by either party. It was agreed that DJCS would focus on using Mr. Cutlip's report and recommendations and Legislative Post Audit would close the requested review from DJCS in September 2018.

Should you desire to discuss this matter further, please do not hesitate to contact me at 304-558-8814 or by e-mail at joseph.c.thornton@wv.gov

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Thornton', is written over a light blue rectangular background.

Joseph C. Thornton

JCT/bjw

c: Jeff Sandy, DMAPS Secretary
Michael Cutlip, DMAPS CFO

WEST VIRGINIA LEGISLATIVE AUDITOR'S OFFICE
Post Audit Division

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Charleston, WV 25305-0610
(304) 347-4880



Justin Robinson
Director

April 24, 2019

Jeff Sandy, CFE, CAMS, Cabinet Secretary
Department of Military Affairs and Public Safety
Building 1, Suite W-400
1900 Kanawha Blvd., East
Charleston, WV 25305

Cabinet Secretary Sandy:

This is to transmit a draft copy of the Post Audit Division's letter report on the Division of Justice and Community Service's federal grant disbursements. This report is scheduled to be presented to the Legislative Post Audits Subcommittee in the Senate Finance Committee Room, Room 451-M, at 3:00 PM, Tuesday, April 30, 2019. We recommend that a representative from your agency be present at the meeting to respond to the report and answer any questions committee members may have during or after the meeting.

If you wish to have an exit conference to discuss this report, please contact Terri Stowers at (304) 347-4880 to schedule a meeting for a time and date no later than Friday, April 26, 2019. In addition, if you wish to provide a written response to be included in the final report, we ask that this be provided to us by the close of business on Friday, April 26, 2019. If you have any questions or concerns, please feel free to contact me. Thank you for your cooperation.

Sincerely,

A handwritten signature in blue ink that reads "Justin Robinson".

Justin Robinson

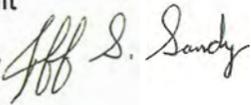
- C. Joe Thornton, Director, West Virginia Division of Justice & Community Service
John B. McCuskey, State Auditor, West Virginia State Auditor's Office
Kent Hartsog, Senior Deputy State Auditor, West Virginia State Auditor's Office



State of West Virginia
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JEFF S. SANDY, CFE, CAMS
CABINET SECRETARY

THOMAS L. KIRK
DEPUTY SECRETARY

Date: 4/24/19
To: Justin Robinson, Director Post Legislative Audit
From: Jeff S. Sandy, CAMS, CFE, Cabinet Secretary 
Re: Review of the Division of Justice and Community Services

I have completed reviewing your audit report of the Division of Justice and Community Services. I support your findings and recommendations. In addition, I thank you for your quality work product.

As you are aware on June 5, 2019, the Division of Justice and Community Services will be merged into the Division of Administrative Services (DAS). I will forward a copy of your final report to the Director. I will also place a reminder to follow-up with the Director to ensure your recommendations are being followed.

As I have stated many times, your unit's assistance makes DMAPS stronger and this is yet another example.