

CAFR Update

Below are the largest CAFR concerns as of January 25, 2017.

1) Homeland Security

- Agency Contacts: Tommy Dingess prepares the SEFA; Jimmy Gianato is Tommy's supervisor. Homeland Security is an agency under Military Affairs and Public Safety (MAPS).
- Background: This agency receives significant federal dollars; therefore, it is separately audited by Suttle and Stalnaker for the Single Audit (Federal compliance audit). The Financial Accounting and Reporting Section (FARS) first had difficulty receiving required information for their Schedule of Expenditure of Federal Awards (SEFA). After months of requests from all levels, including Secretary Pickens, a draft SEFA was finally received from Homeland Security on January 18th, months after the August 15th deadline. Now that FARS is in receipt of the SEFA, Suttle and Stalnaker must be onsite to audit the information.
- Issue: Suttle and Stalnaker scheduled its time to audit Homeland Security on multiple occasions. Homeland Security repeatedly delays the schedule. The latest pushback occurred last Wednesday, and a new date and time has not been scheduled, despite attempts by Suttle and by various individuals at FARS. The Single Audit is due March 31, 2017 and must include information from Homeland Security.
- Solution: We believe it would be helpful for you to contact the MAPS Cabinet Secretary to stress the importance of the timeliness of this audit. We need to have Suttle and Stalnaker onsite as soon as possible to meet required Single Audit deadlines.

2) Consolidated Public Retirement Board (CPRB)

- Agency Contacts: Darden Greene is the CFO; Jeff Fleck is Darden's supervisor.
- Background: CPRB has several significant background items to note:
- The Governmental Accounting Standards Board (GASB) issued Statements 67 and 68, which significantly increased the amount of reporting required by CPRB. Specifically, CPRB was required to prepare "allocation schedules" for all non-state and state employers of all retirement plans. These allocation schedules are in addition to the annual required audit of CPRB. The schedules were highly technical, requiring many meetings between CPRB's auditor at the time, Gibbons and Kawash, and the State's auditor, Ernst and Young, to ensure the GASB Statements were properly implemented. Agreement between the auditors was finally reached in late fall. Because of the significant increase of work required by the new GASB Statements, CPRB's auditor, Gibbons and Kawash, requested CPRB to bid the audit work out again (i.e. Gibbons essentially resigned from the audit).
 - Consequently, CPRB has a new auditor this year, Suttle and Stalnaker. The audit was slightly pushed back due to work on the allocation schedules mentioned above. Also, there is a learning curve associated with the change in auditor. The biggest learning curve for CPRB is in the preparation of the financial statements. The previous auditor typed the financial statements and wrote the notes for CPRB; the new auditor is not willing to accept these risks. CPRB must now

take on tasks new to them. We have contracted with an outside accounting firm, Maher Duessel, to aid CPRB in this effort.

- Amidst all the above, CPRB is remodeling and implementing the new Compass system. These activities have stretched staffing and delayed auditors from performing work.

Issue: CPRB told us their audit will not be complete until the end of February. We sent Maher Duessel staff to try to improve on this date. It would most certainly be preferable to receive financial statements earlier than the end of February. If it goes beyond that date, it will most likely delay the CAFR.

Solution: We submitted the following priority areas to CPRB to help the CAFR staff:

1.) Drafts of each retirement plan, as completed. Each retirement plan is a separate financial statement in the CAFR; therefore, it helps to have any as they are completed.

2.) Admin draft – CPRB's admin piece affects the general fund of the State; good draft numbers are needed as soon as possible

3.) Cash info - A good cash balance/footnote would allow FARS to complete work on the lengthy cash footnote of the CAFR

Any reinforcement of the above from you with Jeff Fleck would be greatly appreciated.

3) Higher Education Policy Commission (HEPC)

Agency Contacts: Ed Magee is the CFO; Paul Hill is Chancellor of HEPC; Sarah Tucker is Chancellor of WV Council for Community and Technical College Education

Background: HEPC must receive independent audits from all state colleges, universities, and community/technical colleges. Once these are completed, HEPC must consolidate all audits into one audit ("consolidated higher education audit") for the CAFR.

Issue: HEPC struggles getting information from some of the institutions. In the latest update, HEPC was experiencing delay due to the following schools: Bluefield State, Concord, West Virginia Northern C&T, and Glenville State.

Also important is the Single Audit. The 2014 and 2015 Single Audits were filed after the March 31st deadline. We called all federal agencies to discuss this delay last year. The agency that seemed most concerned (and made the only threat) was the Federal Department of Education, which funds financial aid for the institutions. There has been correspondence between the Federal Department of Education, HEPC, and DOA, but no action taken against the schools to date. With that said, the concern is always there that noncompliance could result in a reduction of federal funding to the schools.

Ed Magee's latest estimate for completion of the consolidated higher education audit is mid-February. This places extra burden on the completion of the CAFR and Single Audit, as the consolidated higher education audit affects all areas of the CAFR. Specifically, it takes our CAFR staff three weeks to integrate the consolidated higher education financials into the CAFR (the cash footnote is by far the most difficult, as it must all balance in the end). We then must have time for E&Y to audit the consolidated higher education information as part of the CAFR.

Solution:

We let Ed Magee know that we could not guarantee a March 31st completion of the CAFR and Single Audit if the consolidated audit was not received by mid-February. We believe any involvement from you and/or the Governor's Office to emphasize the importance of receiving this information would be helpful.

We submitted the following priority areas to Ed Magee to have submitted to the CAFR staff by January 31st:

- 1.) Cash info - A good cash balance/footnote would allow FARS to complete work on the lengthy cash footnote of the CAFR
 - 2.) Fixed Assets – Good fixed asset (buildings, equipment...) balances would help in completing the fixed asset footnote of the CAFR
- 4) **Department of Transportation** – This one is on our watch list. DOT historically provides all information, but are later than usual this year. We are in touch with Susan Creager, who prepares the financials. She believes she can have something to FARS by the beginning of February. If we begin to see this date will not be met, we may need your assistance.
- 5) **ERP Board Financial Statements** – This is another watch list item. I have a contract CPA helping them prepare their financials. I also contacted Rick Pickens about my concerns, and he was very helpful. They are simply not meeting deadlines and seem to be over their head in the preparation of their financial statements (new to them).

Other items:

We anticipate the following audits within the next week:

- State Rail
- Public Defender Audit
- Water Pollution Control Audit
- WorkForce Audit
- School Building Authority (good draft received, but not final)

If there are further delays on the above, I will let you know.