Legislative Rule 63-04

Public Hearing – May 19, 2022

Transcript by Belinda G. Withrow, Executive Assistant, West Virginia Conservation Agency (WVCA)

Good afternoon, my name is Brian Farkas, Executive Director for the WVCA. We have all 14 Conservation Districts (CDs) and the Guthrie Office on this call. This a formal meeting on a proposed rule to implement Senate Bill 264 which prescribes the accounting and auditing requirements and establishes the minimum system of accounting and auditing practices and procedures that are to be used by the conservation districts throughout the State of West Virginia. Conservation districts are to develop local policies and procedures that supplement the provisions specified herein. The State Conservation Committee delegates development of the accounting and auditing policies, procedures, and standards to the West Virginia Conservation Agency. This meeting is being recorded. Please complete all your information on the sign-in sheet. This is a public hearing for the SCC. WVCA is the administrative office for the State Conservation Committee. We will submit the minutes of this meeting to the Secretary of State's Office (SOS) when we file the rule. Formal comments need to be submitted in writing. We will give you a presentation today of what's in the rule. The rule was developed by WVCA and CD supervisors. Do not feel you are required to make a comment today. You may go to www.wvsos.gov to review a copy of the rule. This public comment period ends at 4 p.m. on June 16. Thank you for your help in the development of this rule. Written comments must be submitted to Belinda Withrow at bwithrow@wvca.us by 4 p.m. June 16.

Chris Casto reviewed the rule. Most policies are based off existing accounting practices we have been using on administered funds during the last 8-10 years. They will now apply to all CD general funds and CDO administered funds. Section 2 of the rule is definitions. We use these to let us define what an audit means in state code. We removed the question of compliance, using our agreed upon procedures. Section 3 defines the roles of the SCC, CDs, and WVCA in the development of the rules and the supplemental policies and procedures to better define the floor of the policies and procedures. Section 5-Signatures on transactions - two signatures are required on checks, the same as the current process. Section 6 on bank accounts covers opening and closing on accounts, collateral, and reporting of unclaimed property. Section 7 - Bank reconciliation-defines the reconciliation process with co-administered, receipts processing, covers funding received in the district office, based on co-administered funds policy we currently use, same as Section 9 - Expenditures, the process we currently use for check payments. The procurement in section 10 outlines procurement for goods and services. We currently have this in the co-administered policy. We used it for general and CDO in the rule, based as close as we could get to state policy current rule. In section 11-Project contracts pertains to projects using co-administered funds, requiring a job showing, like dam mowing or dam rehab. A new section we define the protest process for contractors. In Section 12-Fixed assets, based on state process, most CDs have adopted this $500 for computers and everything else above $1,000 is tracked for fixed assets. Section 13-Payroll-each CD can set up their own process for payroll, time sheet approval and time recording, Section 14-financial statements has a basic list for financials CDs get each month for review from their bookkeeper and the WVCA accounting section. Section 15 - Records retention process, defines accounting records the CD should retain. Section 16-Audit process for agreed upon procedures, containing audit and services. Section 17-How to report potential fraud, either through the WVCA, SCC or the special investigative unit of the legislature, or through the auditor's office. Section 18-List of Supplemental policies and procedures CDs can develop to better define the processes of these rules.

Informal Question (not submitted in writing): Donnie Tenney- If suspecting a fraud, then the first thing the CD shall notify the executive director immediately. Agency should provide staff to review any suspicions of fraud, and report to state auditor, special investigations?

Response-Chris Casto-The word shall keeps the agency in the loop if it is just that you think something is going on, or something is definitely going on. Maybe you have that feeling something is off, but not necessarily fraud, we come in with our staff to do an investigation. But there is nothing to keep them from going on to report to the legislative special investigation's office. This keeps the Agency in the loop, so we are not blindsided when the auditor's office or special investigations contacts us about the issue.

Farkas-If you think the word "shall" should be replaced by "should" or the opposite, we can put that in the responses, if it is presented formally in writing.

Donnie Tenney-The agency will bring staff in to look at the books?

Response-Casto-Yes, the "should" will become a "shall" to WVCA. To avoid someone making any mistake, someone from inhouse to look at it first and not waste the time of others.

Farkas-The experience we have had, there have been concerns at the CD level and they come to the Agency. Based on our preliminary review and questions that we took it to the next level, then investigative legislation to take it up. There was a joint decision.

Donnie Tenney-So the agency can take it to the next level?

Chris Casto-In reporting to the auditor's office they currently have available to the public, that anyone from the public can get the ball rolling at any time.

Question-Danny Lutz-Do they represent major changes to the practices we have followed over the last few years?

Response-Casto-Probably the biggest change is a lot of these rules are based on the co-administered policy. Basically, if the CD has not adopted these practices already on the general and CDO funds, this could be something new. If they have been following co-administered in general, there is very little, if anything new here.

Danny Lutz-So I understand if the CD is following all these practices, we have been instructed to follow up to this point, we will not see any significant changes other than changes in paperwork dates and such, such as the bottom of the forms?

Response-Casto-Very minimal changes in the process we have been using. We will put out a new supplemental accounting manual when these rules become effective, that will mirror more of the rules and have the initial policy and procedures we follow.

Danny Lutz-It is intended to get the CDs and the Agency in line with standard accounting practices that are occurring at this moment?

Response-Chris Casto-It is to help bring the Agency co-administered funds - the agency and SCC defined those practices and left it up to the CDs to define their own accounting practices with the general and CDO funding. The state code change charged SCC with developing policies and procedures in the rule for accounting and auditing to standardize CDs across that state. We are using the co-administered policy we had in place as that foundation.

Danny-Considering in our budget making progress at a CD level, if we continue to follow what we are going to be doing for Brian, and getting a handle on this we will basically follow this process?

Response-Casto-Are you talking about the CDO budget reports the CDs file each year?

Response-McKeever-this is a whole different subject, entirely separate, as this pertains to SB264.

Danny-You will send us any changes we have to do in the accounting arena?

Response- Casto-Yes, we will provide accounting rules after approved by legislature.

Farkas-You were talking about a request I put forth to Wayne, so we don't create confusion on the legislative ask for upcoming fiscal years, the CDs, in working with SCC, WVCA, CD we needed to decide what is needed for conservation. If you read that email it stated that very well. That is a separate issue.

Response-McKeever-No that was for the exigency funds.

Danny-That wasn't related to the $10,000, was it?

Response-McKeever-No that was for the emergency funds. It's separate.

Dennis-Southern CD-Thank you and the other folks at the WVCA for all your hard work on this. I have a background in accounting from my own business. It is pretty easy to follow and I see where you are going with these changes here. Across the board, with everybody following the same rules. This should make things much easier for folks at Guthrie keeping up with all CD funds.

Response-Farkas-An attempt to establish what type of audit we are looking for and the CDs won't have to determine what kind of audit we need. Thank you.

Farkas reported at this point we have addressed all comments. Are there any other comments?

Farkas announced it is 2:30 p.m. This concludes the public hearing.

Guyan Conservation District

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ATTENDANCE-PLEASE SIGN IN

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