

November 2, 2015

Ms. Tamara Saunders
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd, E
Charleston, WV 25305-0610

Dear Ms. Saunders:

In reference to the specific transactions which were referenced in the October 18, 2015, letter and the accompanying data file sent to us on October 13, we are submitting a report on what we have established to-date:

- SUPD clothing purchases [dropped from the final version of the letter]: Exhibit A represents the backup purchase paperwork; Exhibit B represents emails exchanged between SU staff relating to these procurements; Exhibit C represents the forms signed by each recipient employee, documenting the issuance of this University Property. We recognize that you deleted this item from the final version of the letter to the Legislature, but perceived a need to provide this documentation nonetheless.
- Sexually related personal hygiene items: The Cardholder was a grad assistant Hall Director, and after graduating from our master's degree program these student-employees move on with their careers; that is the reason he is no longer with the University. We have identified 11 student programs that were conducted proximate to the two purchases, and we have student participation lists for those programs, all provided as Exhibit D. The University has a strong confidence level that these items were not for personal use of the cardholder. The University believes that the procurement and distribution of both condoms and k-y jelly are of a personal hygiene nature and are appropriate. The University believes that the procurement or distribution of any "sexual enhancement" item by anyone other than a medical professional was poor judgment, but not unlawful. Staff has been directed to not repeat that practice.
- Athletics charges: All of the questioned charges were made by the Tennis Coach. Of the 36 transactions, we have confirmed that all 36 were specifically for team travel and have documented the events. That listing is provided as Exhibit E.
- Athletics Meal: The University acknowledges that the April 28, 2013 Tennis Team dinner ran at a somewhat high per person expense. The coach was counseled by the Athletic Director following that expense. This team dinner occurred at the end of the conference tournament in Charleston, and it is not uncommon for student athletes at such a moment to eat an unusually large meal. We do not think that it is extravagant to have

such a meal in an Outback Steakhouse, but we do agree that the Coach should have strategically planned to better contain the expense.

- **Vehicle Rental:** The University disputes that the rental car charges of the Admissions Office were extravagant or improper. Several years ago the University made a business decision to significantly reduce the size of its motor pool usage by faculty and staff to reduce costs and concluded that it could save money by having the Admissions Office recruiters use rental cars. This was not a reckless decision by a card-holder; this was a calculated business decision arising from comprehensive cost-analysis calculations. Even when the Admissions recruiters are not travelling on over-night trips, their day-trips are high mileage and are cost effective for such rentals. Passenger cars that were kept on campus are kept available for the short-mileage activity for which a rental car would be inefficient.
- **Vineyard Tour:** The University does have a list of participants, which included only 1 Shepherd employee. The University hosted the annual national COPLAC conference in June 2013. As a component of the multi-day conference, Shepherd structured several optional visits to several components of our greater Eastern Panhandle community. Ten COPLAC senior administrators participated in the vineyard tour, along with the Shepherd administrator who used his P-Card to pay for the tours. That list of participants is Exhibit F. The trip was a formal entertainment event associated with the Conference, as reflected in Exhibit G and most of the expense was offset by deposits paid by conference registrants who elected this tour, for a total of \$220 revenue [\$20 per participant collected - -see Exhibit H]. The University administrator who led this tour viewed the wine-tasting as a *de minimis* component of the experience and therefore did not anticipate that use of a p-card would raise an alcohol-compliance issue. The exactness of the State's expectations in this regard has been clarified for the University staff. Private funds will be deposited to the University to completely offset the remaining net expense of \$68.75.
- **Townhouse:** The University employee who used a P-Card for a town house deposit at the Pennsylvania resort was the Golf Coach. The SU Golf Team spent a total of \$760.82 on the townhouse in April 2013. The team was competing in the Mystic Rock Collegiate Golf Tournament, hosted by Univ. Cal., Pa, at the Nemaquin Resort. The \$54 per night per person cost seemed like an economic selection to the coach at the time. Even though the SU team did not win this tournament, we are glad that they represented the University at this event and we think it was a sound investment; it was cheaper than renting hotel rooms for the entire team would typically cost. See Exhibit CC.
- **Casino Dinner:** The former University president hosted a hospitality dinner for a visiting national scholar in 2012 at the Hollywood Casino in Charles Town. The Casino is a vital component of the local economy, as well as the State's tax revenues. The Casino is an active and dynamic good corporate citizen of the Eastern Panhandle, contributing to a wide assortment of charities and community improvement initiatives. The University does not feel that a very occasional patronage of the restaurant for the purpose of hospitality for out-of-state visitors is in any form an improper extravagance. The standard practice of the University President has been to omit names from the hospitality form that is provided to the procurement office. The procurement staff had been told that a record of the names is preserved in the President's Office records and inspection can be provided as needed, but the meetings of the University President are sometimes sensitive and so this effort at discretion has been utilized. The University is unaware of any law

or regulation that requires that this documentation as to P-Card transactions be stored at one specific location. The documentation of this scholar is *Exhibit I*.

- “Music, Opera”: The University’s understanding is that the Legislative Auditor had full knowledge on October 18, when the Auditor submitted the report to the Legislature, that the “sterling silver covered platter” was never received by the University and that a credit for the item fully *reversed the charges the following month* from the initial purchase date. The emphasis on this specific item by the Auditor is therefore something the University does not understand.

The University presently believes that each of the other purchases of this former employee were for a legitimate purpose. The fuel purchase does not appear to be linked to a vehicle rental; therefore use of the P-Card might have been a mistake; employees are trained that all other fuel purchase must be reimbursed, rather than purchased with P-Cards; nevertheless, as to this former employee, the expenditure was neither personal nor frivolous - - it was in support of a student theater production. Although the audit report alleges that groceries and “clothing” were purchased, the transactions cited are an internet purchase of a pair of shoes for the student production [See Exhibit DD] and a \$296 purchase of miscellaneous supplies at Walmart, none of which appear to be for any purpose other than support of the student production [See Exhibit EE]

- Shuttle Service charges: The shuttle service in November 2012 was provided for a visiting lecturer to be transported from Penn Station to Shepherdstown, and returned. Based upon the content of the Auditor’s Oct. 18 report, it appears that they thought “H Washington” was a place. It is a person, our guest speaker on campus. See Exhibit J. While we would treat employee use of that shuttle as excessively extravagant, our staff felt that it was a reasonable arrangement for the visitor to our campus. The March 2013 shuttle charges were for a group of persons participating in a University sponsored European tour. See Exhibit K.
- Pillows: The employee who paid for two missing hotel pillows was not paying for pillows that he personally lost. The employee is the soccer coach of both our men’s and women’s soccer teams. When the teams have stayed in a hotel and checked out and the hotel insists that something was missing and charges the credit card, the University has to absorb that expense unless one or more students confess to responsibility for the missing items, but in this case no one did. The University cannot just assess the expense to a player based on who the room occupant was; we cannot even confirm whether a pillow was missing. The charge was assessed after the team left the hotel.
- Computer Games: The Audit Team assumed that an employee used her P-Card for “computer games.” In reality, the P-Card purchase was of crossword and Sudoku puzzles that were published in the student newspaper, *The Picket*. See Exhibits L and M.
- Book Purchases: The University does not believe that any of the book purchases highlighted for review were personal use. Two of the three items highlighted are part of the Kindle collection of The Scarborough Library. See Exhibit N. The third item was purchased by a faculty member. It is unfortunate that the receipts as to that purchase are lost. At a cost of less than \$20, it is not remarkable that the faculty member does not remember this specific purchase three years later.
- Valet Parking: Two of the questioned charges are at the Washington Plaza Hotel, where the valet daily fee is only \$5 more per day than self-parking. See Exhibit O. The third charge was at the Marriott Richmond, where the valet parking was only \$10 more than

self-parking. See Exhibit P. In the interest of personal safety at these locations, the University does not consider the use of valet parking under these circumstances to be improper or extravagant.

- Flight Insurance: The University is not clear on why the strategic use of flight insurance is presumed by the Legislative Auditor to be a bad idea. We have found no rule which prohibits purchase of flight insurance.
- Shipping Fees: The University perceives that a series of misassumptions were made, based upon a lack of information known by the auditors when the letter was written.
 - In the first cited transaction, an academic Department Chair in the Sciences made a total purchase of \$63.43 from the vendor. Shipping charges were discounted on all but 1 item, and the Auditor has isolated that one item from the aggregate purchase for this unfounded complaint [shipping cost \$6.69]. See Exhibit Q.
 - The 5th cited transaction was part of several purchases by that cardholder, part of the academic support staff, and only regular shipping was used. It again appears that the Auditor placed an undue emphasis on a small shipping cost applied to one of several purchases [\$5.99]. See Exhibit R.
 - The 4th, 6th, 7th, 8th, 9th, 10th and 11th transactions all had time urgency in support of student activities. #4 was items urgently needed for the Ram Band. Exhibit S. Items 6, 7 and 8 were each purchased with expedited shipping to support imminent student activities. These were student co-curricular funds and the student groups made the tactical decisions on these expenditures. Exhibits T, U, and V. Item 9 was equipment needed for the university's basketball instructional camp, which had an unexpectedly good student enrollment. Exhibit W. Items 10 and 11 were purchased by the Theater Technical Director for student performance productions which were soon to occur. Exhibits X and Y.The 2nd and 3rd cited purchases are the base cost and \$10 expedited shipping fee for software that the administrator, a 30+ year veteran of the university, determined was time urgent due to operational needs on campus. Exhibit Z.

- Circumventing Transaction Spending Limits:

Items 1-3 were 2 purchases of large screen televisions and wall mounts, followed by a purchase of related support items which were purchased for installation in the dining areas of the University Dining Hall. See Exhibit AA. The University will work cooperatively with the State Auditor to clarify whether the State Auditor views transactions of this type as limits-circumvention, and if so will work with the auditor to develop institutional policy that will be easy for employees to understand.

Items 4 and 5 and then 6 and 7 were each pairs of orders of supplies made by the Facilities Department. Exhibit BB. The Department's view was that if the cardholder bought \$6,000 of toilet paper, toilet cleaner, and gloves for workers, that the cardholder could proceed to also buy \$4,000 of trash can liners and paper towels on the same day from the same vendor, as a separate transaction. The University will work cooperatively with the State Auditor to clarify whether the State Auditor views transactions of this type as limits-circumvention, and if so

will work with the auditor to develop institutional policy that will be easy for employees to understand.

In some cases, the transaction spending limits on a P-Card can be an important component of preventing an employee from accidentally overspending, with the P-Card, the budget authority of the department which that employee works in. None of these transactions jeopardized the correct budgetary management of the individual departments, nor the University.

This completes our review of the P-Card charges which were the subject of your Letter to the Legislature of October 18. At the present time, we have concluded that \$68.75 should be remitted from private funds to complete the reimbursement to the State of all expenses associated with the vineyard tour, since a *de minimis* wine-tasting was involved. We cannot agree with the conclusions asserted that any of these transactions were for personal use or otherwise unlawful. The presumptions that transactions were extravagant or reckless are not well founded. As noted, the University has taken action to clarify with Residence Life Staff that over-the-counter supplements will not be purchased nor distributed by our staff in the future.

We do continue to agree with your concerns expressed in the letter that our management of our records retention was in critical need of further reforms, and we realize that several of these items were worthy of further inspection to clarify their propriety because of that. As previously assured we are acting to improve those processes.

Sincerely,

K. Alan Perdue

Cc: Interim President Sylvia Manning
Board Chair Marcia Brand
Chancellor Paul Hill