

WEST VIRGINIA DIVISION OF MOTOR VEHICLES
FOR THE PERIOD
JANUARY 15, 1977 - JUNE 30, 1989

West Virginia



LEGISLATIVE AUDITOR

CHARLESTON

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code Chapter 4, Article 2, as amended, we have examined the accounts of the West Virginia Division of Motor Vehicles.

Our examination covers the period January 15, 1977 through June 30, 1989. The results of this examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 1989 and June 30, 1988 are included in this report. The financial statements covering the period January 15, 1977 through June 30, 1987 are included in our audit workpapers.

Respectfully submitted,

Theodore L. Shanklin
Theodore L. Shanklin, CPA, Director
Legislative Postaudit Division

TLS/ela

WEST VIRGINIA DIVISION OF MOTOR VEHICLES

TABLE OF CONTENTS

Exit Conference	1
Introduction	2
Administrative Officers and Staff	3
Summary of Findings and Recommendations	4
General Remarks	11
Independent Auditors' Opinion	33
Statement of Appropriations/Cash Receipts, Expenditures/Disbursements and Changes in Fund Balances	35
Notes to Financial Statement	37
Supplemental Information	40
Certificate of Director, Legislative Postaudit Division	50

WEST VIRGINIA DIVISION OF MOTOR VEHICLES
EXIT CONFERENCE

We held an exit conference on November 5, 1992 with the Commission and Manager of Administration of the West Virginia Division of Motor Vehicles and all findings and recommendations were reviewed and discussed.

WEST VIRGINIA DIVISION OF MOTOR VEHICLES

INTRODUCTION

The West Virginia Department of Motor Vehicles was created by an act of the 1947 Legislature. The Department is charged with the duty, authority and power to issue and regulate motor vehicle and motorboat registrations and certificates of title; to license chauffeurs and other motor vehicle operators; to license new and used vehicle dealers, manufacturer or transporters; to provide protection against the operation of motor vehicles (financial responsibility of owners and operators); and to hold revocation hearings for those violators of this and other states Driving Under the Influence, traffic and other vehicular laws.

By this 1947 act of the Legislature, the Department succeeded to and was vested with all of the powers, duties, and jurisdiction previously vested in the State Road Commission and its commissioner to administer the state's motor vehicle laws.

The West Virginia Department of Motor Vehicles shall be directed by an executive officer to be designated as the Commissioner of Motor Vehicles, who shall be appointed by the governor, with the advice and consent of the senate, for a term of four years. Effective July 1, 1989, the reorganization of the Executive Branch of State government resulted in the spending unit becoming known as the West Virginia Division of Motor Vehicles.

WEST VIRGINIA DIVISION OF MOTOR VEHICLES

ADMINISTRATIVE OFFICERS AND STAFF

JUNE 30, 1989

George T. Sidiropolis Commissioner
Steven O. Dale Executive Assistant
Richard M. Johnston Manager, Administration
Glendel Fisher Assistant Director, Accounting Section
Barbara F. Mullins Personnel Officer
James R. Schwartz Inspector General
J. Thomas Madden General Counsel
Gregory M. Vasiliou Director, Safety and Enforcement
Robert L. DeLong Section Chief, Hearings and Investigations
J.R. Rogers Section Chief, Dealer Services
J. Scott Deloretta Manager, Commercial Licensing
Alan D. Schoolcraft-Williams Supervisor, International Registration Plan
Lacy Morgan Director, Data Processing
James N. Gillespie Director, Records Division
Glenn O. Pauley Director, Title and Registration
Mary Brown Branch Manager, Winfield Regional Office
Craig Loy Branch Manager, Martinsburg Regional Office

WEST VIRGINIA DIVISION OF MOTOR VEHICLES
SUMMARY OF FINDINGS AND RECOMMENDATIONS

Weaknesses Over Control of Motor Vehicle Titles

1. Our observation of inventory controls and the procedures for the requisitioning and completion of motor vehicle titles disclosed certain conditions that we believe result in weaknesses in the internal control structure. Specifically, we noted the following: 1. The Division does not reconcile the number of "Instant Print" titles produced with the number of titles requisitioned from title inventory by the Instant Print Section; 2. When titles are mutilated, produced with incorrect information or must be destroyed for other reasons, the Division's policy is to discard the unusable title; 3. Several employees in the Data Processing Section can individually perform an override of the computer system and produce a vehicle title; and, 4. No documentation is maintained to identify vehicle titles received from the printer with identical serial numbers.

We recommend the Division strengthen internal controls in these various procedures regarding motor vehicle titles. (See Pages 26 and 27.)

Weakness Over Disposition of Motor Vehicle Decals

2. We were unable to account for the final disposition of 341,602 motor vehicle registration decals with a value of \$8,540,050.00. We were informed the problem occurs because periodically decals are obtained from the inventory area but the appropriate entry is not made in the inventory log book.

Also, the serial number of the decals are not recorded when sold. The use of the serial number would enhance controls to ensure the proper

disposition of decals that have been issued to qualified registrants of motor vehicles in the State.

We recommend the Division strengthen internal controls over motor vehicle registration decals. (See Pages 27 and 28.)

Decals Not Under Effective Accounting Control

3. The window clerks that issue motor vehicle registration decals obtain the decals from the vault in blocks of 100 decals each. We noted no reconciliations are made between the sale of the decals issued and returned to the vault. Therefore, it cannot be determined if all decals issued to clerks result in a sale and that proper fees are collected.

We recommend the Division strengthen internal controls in the area of the issuance and sale of motor vehicle registration decals by the window clerks. (See Pages 28 and 29.)

Untimely Deposits of Moneys Received

4. We noted in all tests performed regarding the collection and depositing of fees that the Division does not generally remit collected monies into the state treasury within 24 hours as required by the law. We estimate that the lost interest earnings to the State of West Virginia due to the untimely deposits for the period July 1, 1987 to June 30, 1989 were approximately \$439,000.00. Our review of subsequent events through June 12, 1992, indicates the Division continues to deposit receipts more than 24 hours after collection.

We recommend the Division comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended. (See Pages 13 and 14.)

Unexcused Sick Leave

5. We reviewed the sick leave records of all departmental employees and determined as many as 76 employees may have been using significant amounts of unexcused sick leave. We tested the sick leave records regarding 13 of the 76 employees and found 11 of these 13 employees utilized 1,512 hours of unexcused sick leave at a cost of \$7,455.29. Based on the results of the testing performed, we estimate that approximately \$43,500.00 in unexcused sick leave may have been taken by these 76 employees.

We recommend the Division comply with the provisions set forth in Section 16.05 of the Civil Service System Rules and Regulations or subsequent guidance found in Section 16.05 of the Administrative Regulations of the West Virginia Division of Personnel. (See Pages 14 and 15.)

Employees Underpaid for Annual Increment

6. Our examination of payroll expenditures shows that 13 former employees were underpaid a total of \$2,625.61 for annual increment during fiscal year 1989. This situation apparently resulted from a misinterpretation of the intent of the law authorizing annual increment payments.

We recommend the Division comply with Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended. (See Pages 20 and 21.)

Compensatory Time Used by Unauthorized Personnel

7. We noted that compensatory time off was given to employees who we believe should have been paid overtime because they were statutorily nonexempt under the governing statutes. We identified six employees who we believe should have received overtime compensation amounting to \$354.12 instead of receiving compensatory time off.

We recommend the Division comply with Chapter 21, Article 5C, Section 3 of the West Virginia Code, as amended. (See Pages 21 and 22.)

International Registration Plan

8. We learned that an unidentified balance of approximately \$120,000.00 has been maintained in the International Registration Plan (IRP) Account (8421-12) between 1989 and the concluding date of our current fieldwork (June 12, 1992). We believe at least a portion of this balance belongs to the State Road Fund of West Virginia.

We recommend the Division perform monthly reconciliations regarding the International Registration Plan Account (8421-12) in order to itemize the account balance among the various jurisdictions to whom the balance is owed. (See Pages 29 and 30.)

Source Documents Unavailable for Audit

9. Our examination showed certain source documents required to determine the Division's compliance with the provisions of the West Virginia Code were not available. Specifically, some of the following items could not be located: deposit tickets, cashier's reports, and files regarding motorboat registrations, motorcycle dealers and suspension or revocation of Junior Operators licenses. Accordingly, we were unable to determine whether the correct amounts were collected in all cases and deposited intact into the State Treasury within 24 hours as required by law.

We recommend the Division comply with Chapter 5, Article 8, Section 17 of the West Virginia Code. (See Pages 15-19.)

Individual Time Sheets/Records Not Required

10. The employees of the Division of Motor Vehicles are not required to complete individual time sheets documenting their hours of work. Therefore, we could not document that employees were properly compensated for overtime hours worked.

We recommend the Division comply with Chapter 5, Article 8, Section 17 and Chapter 21, Article 5C, Section 5 of the West Virginia Code. (See Pages 22 and 23.)

Inventory and Control of Equipment

11. Based on our discussions with spending unit personnel, an equipment inventory was not performed as required by the law. Also, the necessary reporting forms were not filed with the Surplus Property Unit of the West Virginia Department of Administration to record equipment acquisitions in the official State inventory records. In addition, we noted some equipment items did not have inventory tag numbers.

We recommend the Division comply with Chapter 5A, Article 3, Section 42 of the West Virginia Code, as amended, and the provisions of the West Virginia State Property Handbook. (See Pages 23 and 24.)

Expenditures from Wrong Accounts

12. We noted \$566.75 in travel expenses were paid for one member of the internal audit staff and three employees of the International Registration Plan section. We believe these expenses should have been paid from appropriations made in the State Road Fund, Unclassified Account (6710-25).

We recommend the Division comply with Chapter 17C, Article 5A, Section 3 of the West Virginia Code, as amended. (See Pages 24 and 25.)

Inventory of Secure Paper Items

13. We noted during the examination of the inventory of secure paper items such as motor vehicle titles, camera cards, permits and bills of sale that the inventory balances are not available on a perpetual basis. The accounting system for these inventory items is designed to maintain actual perpetual counts; however, the system is not being fully utilized as designed.

We recommend the Division strengthen internal controls over the inventory of secure paper items. (See Page 30.)

No Records Kept On Plates Sent for Recycling

14. We noted that no record is maintained showing those license plates which are returned to the Division of Corrections, Office of Prison Industries for recycling. The Division receives no credit for these plates, nor does anyone from the Division observe that the plates are in fact recycled.

We recommend the Division strengthen internal controls over license plates returned for recycling. (See Page 31.)

Weakness in Safekeeping of Registration Plates

15. We noted that registration plates are kept under the counter by the Division's Window Clerks. While customers do not have ready access to the license plates during business hours, it is possible unauthorized personnel could gain access to these plates after working hours.

We recommend the Division strengthen internal controls in the area of license plates assigned for distribution by the window clerks. (See Page 32.)

No Accounting Procedures Manual

16. We noted the Division of Motor Vehicles does not have a procedures manual which documents the general accounting system. The use of accounting manuals would aid employees in becoming familiar with the Division's operations, aid in the identification of key controls, and help detect weaknesses in the system.

We recommend the Division develop an accounting procedures manual and update the manual as changes in the accounting environment occur. (See Page 30.)

Receipt Books

17. We noted that various sections of the Division use prenumbered receipt books; however, the receipt books are not used in numerical sequence. The receipt books should be used in numerical sequence to help insure that all moneys received are deposited intact with the State Treasurer.

We recommend the Division strengthen internal controls over the use of the prenumbered receipt books. (See Page 31.)

Internal Control Weaknesses in Returned Checks Section

18. Worksheets prepared in regard to individual returned check cases are not always completed. Without the worksheet being completely filled out, it cannot be determined whether the proper fees were assessed in each case. Also, a sufficient audit trail does not exist to facilitate tracing of moneys received for returned checks and fees to deposit in the state treasury.

We recommend the Division strengthen internal controls in the area of returned checks. (See Pages 31 and 32.)

WEST VIRGINIA DIVISION OF MOTOR VEHICLES

GENERAL REMARKS

INTRODUCTION

We have completed a postaudit of the West Virginia Division of Motor Vehicles. The audit covered the period January 15, 1977 through June 30, 1989.

GENERAL REVENUE ACCOUNTS

The following account was utilized by the West Virginia Division of Motor Vehicles solely for the purpose of depositing fees received from the issuance of a Driver's Learners Permit:

<u>Number</u>	<u>Description</u>
6300-80	Instruction Permit Fees

STATE ROAD FUND ACCOUNTS

All expenditures required for general operation of the West Virginia Division of Motor Vehicles were made from the following accounts:

<u>Number</u>	<u>Description</u>
6710-00	Personal Services
6710-25	Unclassified
6710-66	Annual Increment
6710-79	Claims Against the State

The following accounts were designated for the deposits of revenues collected by the West Virginia Division of Motor Vehicles for deposit into the State Road Fund:

<u>Number</u>	<u>Description</u>
6710-81	Licenses Tax-Primary
6710-88	Highway Litter Control Fund
6710-93	Privilege Tax-Secondary

SPECIAL REVENUE ACCOUNTS

The West Virginia Division of Motor Vehicles maintained the following special revenue accounts. The funds in these accounts were for specific purposes as defined as follows.

<u>Number</u>	<u>Description</u>
8421-05	Motorboat Registration Fees; Fifty percent of fees for the administration of the certificate of number system for Motorboats and the remaining fifty percent of fees for the West Virginia Division of Natural Resources for the enforcement and safety education of the State boating system (account 8305-06).
8421-06	Accident Security Deposits; any driver or owner of a vehicle involved in an accident in this State to deposit sufficient security with the West Virginia Division of Motor Vehicles within a certain time following the accident (Repealed by House Bill 4189 effective June 10, 1988).
8421-07	Hearing Fees; to reimburse law enforcement agencies for the travel and appearance of its officers before the Commissioner pursuant to a hearing request.
8421-08	Returned Check Fees; for checks written to the West Virginia Division of Motor Vehicles that have been returned due to insufficient funds, stop payment or any other reason.
8421-09	Insurance Certificate Fees; fees assessed for each issuance or renewal of registration to enforce the compulsory insurance laws of West Virginia.

<u>Number</u>	<u>Description</u>
8421-10	Drivers Licenses Suspension/Revocation Fees; fees assessed for each drivers license that has been suspended or revoked for driving under the influence, traffic violations or any other reason by the West Virginia Division of Motor Vehicles.
8421-11	Driver Rehabilitation Fees; collected for the treatment or rehabilitation (to be done in the various Mental Health Centers in the State of West Virginia) for those persons convicted of Driving Under the Influence.
8421-12	International Registration Plan; prorated registration fees collected on West Virginia based carriers that are assessed on the behalf of other jurisdictions within the International Registration Plan.

COMPLIANCE MATTERS

Chapters 17A, 17B and 17C, Article 5A, Section 2a, Chapter 17D, Article 2A, and Chapter 20, Article 7, Section 12 of the West Virginia Code, generally govern the West Virginia Division of Motor Vehicles. We tested applicable sections of the above plus general State regulations and other applicable chapters, articles, and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are discussed below.

Untimely Deposits of Moneys Received

Chapter 12, Article 2, Section 2 of the West Virginia Code states in part,

"All officials and employees of the State of West Virginia authorized by statute to accept moneys due the State of West Virginia shall keep a daily itemized record of such moneys so received for deposit in the state treasury and shall deposit

within twenty-four hours with the State Treasurer all moneys received by them for or on behalf of the State for any purpose whatsoever. . . ."

We noted in all tests that we performed that the Division does not appear to be in compliance with this section of the West Virginia Code. In our tests we calculated two "lag times" by the difference in business days from the date the moneys were received until the date that they were subsequently deposited. Generally, it took approximately one week for the Division to prepare a T-1 deposit ticket to remit the moneys to the State Treasurer, including those moneys that were deposited into local bank accounts by the Martinsburg and Winfield branch offices. Only a few of the receipts tested appeared to be deposited with the local bank or the State Treasurer within the 24 hour time allotted by law. Lag times of individual receipts varied from a low of zero days to a high of 263 days. Average lag times varied in each section and branch of the Division ranging from .79 days to 16 days. We estimate that the lost interest earnings for the State of West Virginia due to the untimely deposits for the period July 1, 1987 to June 30, 1989 approximated \$439,000.00. Our review of subsequent events through June 12, 1992 indicates the Division continues to deposit receipts more than 24 hours after collection.

We recommend the Division comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

Unexcused Sick Leave

Section 16.05 of the Civil Service System Rules and Regulations states,

"Suspected Leave Abuse - When an employee appears to have a pattern of leave abuse, the appointing authority may request appropriate substantiation of the employee's claim for leave, for example, verification of illness of less than three days."

We reviewed the sick leave records of all departmental employees and determined as many as 76 employees may have been using significant amounts of unexcused sick

leave. We tested the sick leave records regarding 13 of the 76 employees and found 11 of these 13 employees appeared to exhibit a pattern of using significant amounts of unexcused sick leave as shown in the following schedule:

<u>Number</u>	<u>Hours Taken</u>	<u>Hours Excused</u>	<u>Hours Unexcused</u>	<u>Hourly Pay Rate</u>	<u>Sick Leave Unexcused Value</u>
1	128	0	128	\$4.29	\$ 549.12
2	120	0	120	4.60	552.00
3	133	0	133	4.28	569.24
4	124	24	100	4.28	428.00
5	298.5	160	138.5	5.63	779.76
6	263.75	0	263.75	5.63	1,484.91
7	273.25	144	129.25	4.95	639.79
8	423.5	296	127.5	4.95	631.13
9	172	0	172	4.95	851.40
10	94.5	0	94.5	4.26	404.46
11	265.5	160	105.5	5.36	565.48
	<u>2,296</u>	<u>784</u>	<u>1,512</u>		<u>\$7,455.29</u>

The test revealed that 1,512 hours of unexcused sick leave were taken out of a total of 2,296 hours. The cost of the unexcused sick leave taken by these 11 employees totaled \$7,455.29. Based on the results of the testing performed, we estimate that approximately \$43,500.00 in unexcused sick leave may have been taken by these 76 employees.

We recommend the Division comply with the provisions set forth in Section 16.05 of the Civil Service System Rules and Regulations or subsequent guidance found in Section 16.05 of the Administrative Regulations of the West Virginia Division of Personnel.

Source Documents Unavailable for Audit

Chapter 5, Article 8, Section 17 of the West Virginia Code states,

"No record shall be destroyed or otherwise disposed of by any agency of the state unless it is determined by the administrator and director of the division of archives and history of the department of culture and history that the record has no further administrative, legal, fiscal, research or historical value."

Our examination showed certain source documents required to determine the Division's compliance with the provisions of the West Virginia Code were not retained. The following is a summary of the items where compliance requirements could not be tested due to the source documents being unavailable.

Cash Receipts

In our testing of cash (currency) receipts, there were 44 receipts in fiscal year 1988 totaling \$4,706.25 and 52 receipts in fiscal year 1989 totaling \$2,954.78 for a total of 96 receipts totaling \$7,658.03 that we could not trace to deposits.

Motorboat Registration Fees Account (8421-05)

We were unable to obtain records to test the fees collected for motorboat registration fees received in fiscal years 1988 and 1989. The Division keeps these records in computerized files. Each year when a motorboat registration is renewed, the information for the prior year is deleted and replaced with the information for the current year. No historical records are kept regarding the motorboat registrations.

Returned Check Fees Account (8421-08)

We were unable to trace 63 of the 118 receipts tested, totaling \$9,587.66, to their subsequent deposit into the State Treasury. There was an insufficient audit trail in that a corresponding cashier's report could not be located. This report is necessary to ascertain that the moneys received were deposited. Nine files could not be located for review and test purposes to determine compliance with the provisions of the West Virginia Code.

Drivers Rehabilitation Fees Account (8421-11)

We noted there were 10 receipts totaling \$205.00 that we could not trace to their subsequent deposit into the State Treasury due to an insufficient audit trail. The pink copy of the receipt or the cashier's report could not be located for these items.

Drivers License Suspension/Revocation Fees Account
(8421-10) - Resident Violators Section

There were seven receipts totaling \$290.00 that we were unable to trace to their subsequent deposit into the State Treasury due to an insufficient audit trail. This was due to the pink copy of the receipt not being available or a copy of the cashier's report not being available.

Drivers License Suspension/Revocation Fees Account
(8421-10) - Drivers Rehabilitation Section

There were 10 receipts totaling \$205.00 that could not be traced to their subsequent deposit into the State Treasury due to an insufficient audit trail. The pink copy of the receipt or a cashier's report could not be located for these items.

Drivers License Suspension/Revocation Fees Account
(8421-10) - Junior Operators Section

In our testing of cash receipts for the Junior Operators Section, we were informed that once the individual reaches the age of 18 all records pertaining to the individual in regards to Junior Operators are destroyed. The Division believes that once the individual changes from a juvenile to an adult the records are no longer necessary.

Drivers License Suspension/Revocation Fees Account
(8421-10) - Returned Check Fees Section

In our testing of cash receipts for the Returned Check Fees Section, we noted there were nine files with receipts amounting to \$4,318.68 that could not be located and therefore testing of these items could not be performed.

Drivers License Suspension/Revocation Fees Account
(8421-10) - Points System Section

We noted in our test of the Points System Section that four receipts totaling \$110.00 could not be traced to their subsequent deposit into the State Treasury due to an insufficient audit trail.

Drivers License Suspension/Revocation Fees Account
(8421-10) - Compulsory Insurance Section

We noted in our tests of receipts in the Compulsory Insurance Section there were six receipts totaling \$330.00, out of 47 receipts that we examined which we could not trace to their subsequent deposit into the State Treasury due to an insufficient audit trail. The pink copy of the receipt or the cashier's summary report could not be located.

Drivers License Suspension/Revocation Fees Account
(8421-10) - Non Resident Violators Section

We noted in our tests of the Non-Resident Violators Section there were six receipts totaling \$390.00, out of 33 receipts we examined in which we could not trace their subsequent deposit into the State Treasury due to an insufficient audit trail. The pink copy of the receipt or the cashier's summary report could not be located.

Hearing Fees Account (8421-07)

In our tests of the Hearing Fees assessed by the Division, there were eight receipts totaling \$678.60, out of 46 receipts tested that we could not trace to their subsequent deposit into the State Treasury due to an insufficient audit trail. The pink copy of the receipt or the cashier's report could not be located.

Test of Sales Receipts - Licenses, Registrations
and Titles - Martinsburg and Winfield Branch Offices

We noted in our tests of sales receipts by the branch offices located in Martinsburg, West Virginia and Winfield, West Virginia, there was one instance out of 28 days tested where no cashier reports, daily summary reports or T-1 deposit ticket could be located. This documentation could not be located for the February 22, 1988 deposit made by the Martinsburg, West Virginia branch office.

Motorcycle Dealers - Test Revenue

We noted in our testing of revenue regarding Motorcycle Dealers that files for two of the 32 dealers examined could not be located.

Revenues from Suspension of Registration

We noted in our tests of revenues from the suspension of registration that two receipts totaling \$35.00, out of 17 receipts tested could not be traced to their subsequent deposit into the State Treasury due to an insufficient audit trail. The pink copy of the receipt could not be located.

Test of Sales Receipts - Licenses, Registration and Titles

We noted in our tests of sales receipts regarding licenses, registrations and titles that not all cash register tapes were available for review and testing purposes. Our tests consisted of 20 randomly selected sale days. Of these 20 days there were three in which we could locate only one or no cash register tapes.

We noted moneys received for Trip Permits issued by the Division could not be traced to their subsequent deposit into the State Treasury. The only information available was that showing the agencies to which Trip Permits had been issued. It could not be determined whether or not the moneys received were deposited intact with the State Treasurer.

Accordingly, we were unable to determine whether the correct amounts were assessed and collected by these various sections and whether the moneys received were subsequently deposited intact into the State Treasury within 24 hours as required by law.

We recommend the Division comply with Chapter 5, Article 8, Section 17 of the West Virginia Code.

Employees Underpaid for Annual Increment

Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended states,

"Effective for the fiscal year beginning the first day of July, one thousand nine hundred eighty-five, every eligible employee with three or more years of service shall receive an annual salary increase equal to thirty-six dollars times the employees' years of service, not to exceed twenty years of service. In each fiscal year thereafter and on the first day thereof, each such employee shall receive an annual increment increase of thirty-six dollars for such fiscal year: Provided, that every employee becoming newly eligible as a result of meeting the three years of service minimum requirement on the first day of July in any fiscal year subsequent to one thousand nine hundred eighty-five, shall be entitled to the annual salary increase equal to the aforesaid thirty-six dollars times the employee's years of service; where he has not theretofore received the benefits of any such increment computation; and shall receive a single annual increment increase thereafter of thirty-six dollars for each such subsequent fiscal year. These incremental increases shall be in addition to any across-the-board, cost-of-living or percentage salary increases which may be granted in any fiscal year by the Legislature. This article shall not be construed to prohibit other pay increase based on merit seniority, promotion or other reason, if funds are available for such other pay increases: Provided, however, That the executive head of each spending unit shall first grant the herein mandated increase in compensation to all eligible employees prior to the consideration of any increase based on merit, seniority, promotion or other reason."

Our examination of payroll expenditures shows that some employees were apparently underpaid for their annual increment because employees who terminated their employment prior to July 1, 1989 were not paid any annual increment if they were not working on July 1 of each year. Therefore, increment payments were based on whole years of service rather than years, months and days of service by the employee.

The Attorney General's Opinion of August 17, 1988 further clarified the meaning of the applicable Code section and states in part on page 4,

"Accordingly, an employee's usual rate of pay is that employee's salary inclusive of that employee's entitlement to annual increment at the time of the employee's termination

from employment, with such annual increment to be prorated on the basis on which the employee is paid, whether hourly, bimonthly, monthly, or otherwise. . . ."

Based on the Attorney General's definition, we believe the following former employees were underpaid a total of \$2,625.61 for annual increment during the audit period:

<u>Employee</u>	<u>Position Number</u>	<u>Date of Employment</u>	<u>Date of Resignation</u>	<u>Length of Service Years (yrs.) Months (mths.)</u>	<u>Amount of Increment Owed</u>
1	8	02/01/64	08/31/88	24 yrs. 7 mths.	\$ 122.30
2	14	08/17/84	12/31/88	4 yrs. 10 mths.	87.72
3	15	08/27/84	08/05/88	3 yrs. 11 mths.	13.91
4	26	03/03/80	04/14/89	9 yrs. 1 mths.	258.02
5	32	07/02/84	08/19/88	4 yrs. 1 mths.	20.14
6	59	05/01/73	10/28/88	15 yrs. 6 mths.	183.45
7	101	05/10/67	02/28/89	21 yrs. 9 mths.	479.34
8	140	02/03/86	12/12/88	3 yrs. 8 mths.	59.67
9	146	11/07/79	12/12/88	9 yrs. 1 mths.	147.82
10	157	08/27/84	02/28/89	4 yrs. 6 mths.	107.85
11	163	06/01/83	02/13/89	5 yrs. 7 mths.	125.56
12	165	03/15/71	12/30/88	27 yrs. 1 mths.	360.99
13	169	04/18/68	05/30/89	21 yrs. 2 mths.	658.85
TOTAL					<u>\$2,625.61</u>

We recommend the Division comply with Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended.

Compensatory Time Used by Unauthorized Personnel

Chapter 21C, Article 5C, Section 1 of the West Virginia Code, as amended, states in part,

". . . (f) "Employee" includes any individual employed by an employer but shall not include: . . . (6) any individual employed in a bona fide professional, executive or administrative capacity. . . ."

and Chapter 21, Article 5C, Section 3 of the West Virginia Code, as amended, states in part,

". . . no employer shall employ any of his employees for a workweek longer than forty hours unless such employee receives compensation for his employment in excess of the hours above specified at a rate of not less than one and one-half times the regular rate at which he is employed. . . ."

We noted that compensatory time was being used by employees who we believe should have been paid overtime because they were statutorily nonexempt under the governing statutes. The following is a list of those employees who received compensatory time off who we believe should have received overtime pay:

<u>Employee</u>	<u>Amount of Overtime Employee Should Have Been Paid</u>
1	\$118.35
2	27.84
3	85.38
4	55.68
5	41.00
6	<u>25.87</u>
TOTAL	<u>\$354.12</u>

The departmental policy was to give employees an option to choose between compensatory time off or being paid overtime wages. We believe these six individuals should have received overtime compensation amounting to \$354.12 instead of receiving compensatory time off.

We recommend the Division comply with Chapter 21, Article 5C, Section 3 of the West Virginia Code, as amended.

Individual Time Sheets/Records Not Required

The employees of the Division of Motor Vehicles are not required to complete individual time sheets documenting their hours of work. Therefore, we could not document that employees were properly compensated for overtime hours worked. We believe time records are required by Chapter 21, Article 5C, Section 5 of the West Virginia Code, which states,

"Every employer subject to the provisions of this article shall make or cause to be made, and shall keep and preserve at his place of business for a period of two years, a written record or records of the name and address of each of his employees as herein defined, his rate of pay, hours of employment, payroll deductions, and amount paid him for each period."

Also, the Division utilizes a request form to be used for the preapproval of overtime. These records pertaining to fiscal year 1988 could not be located. As a result, we could not determine that all overtime work was preapproved by proper authority. This appears to be in noncompliance with Chapter 5, Article 8, Section 17 of the West Virginia Code, which states,

"No record shall be destroyed or otherwise disposed of by any agency of the state unless it is determined by the administrator and director of the division of archives and history of the department of culture and history that the record has no further administrative, legal, fiscal, research or historical value."

We recommend the Division comply with Chapter 5, Article 8, Section 17 and Chapter 21, Article 5C, Section 5 of the West Virginia Code.

Inventory and Control of Equipment

Chapter 5A, Article 3, Section 42 of the West Virginia Code, as amended states,

"The head of every department of the state government shall, on or before July fifteenth of each year, file with the director an inventory of all real and personal property, and of all equipment supplies and commodities in its possession as of the close of the last fiscal year."

Based on our discussions with spending unit personnel, an equipment inventory was not performed as required by the law. Also, the necessary reporting forms were not filed with the Surplus Property Unit of the West Virginia Department of Administration to record equipment acquisitions in the official State inventory records.

Also, Section 4B, Page 10 of the West Virginia State Property Handbook states in part,

"All reportable personal property owned by the State of West Virginia will be identified as such by the affixation of a property identification (tag) with an assigned Inventory Tag Number. The numbered tags are to be placed on all items of property/equipment in such a manner that it may be easily seen and read. Tags are to be placed on the top, front left side

of all items. When it is impossible to place the tag in the prescribed location, the tag shall be placed in an accessible and visible location. If an inventoried piece of property's inventory tag falls off and is lost, a new Inventory Number is to be assigned and the property retagged. . . ."

Our review of equipment showed the following equipment items which did not have equipment tag numbers:

<u>Item</u>	<u>Model Number</u>	<u>Serial Number</u>	<u>Location</u>
Portable Copier	6010	UC994311	Audit Room
Portable Copier	6010	UC994314	Mail Room
Paper Shredder	1250	13882	Mail Room

The lack of inventory tags increases the probability for equipment to be lost or converted to personal use.

We recommend the Division comply with Chapter 5A, Article 3, Section 42 of the West Virginia Code, as amended, and the provisions of the West Virginia State Property Handbook.

Expenditures from Wrong Accounts

Chapter 17C, Article 5A, Section 3 of the West Virginia Code, as amended, regarding the Driver's Rehabilitation Program states in part,

". . . The cost of the program shall be paid out of fees established by the commissioner of motor vehicles in cooperation with the department of health, division of alcohol and drug abuse. These fees shall be deposited in a special account administering the program, to be designated the "driver's rehabilitation fund."

We noted that transmittal number 719 paid June 29, 1989 was drawn on the Driver's Rehabilitation Account (8421-11) in the amount of \$566.75. The purpose of the transmittal was to draw state warrants in payment of travel expenses for one member of the internal audit staff and three employees of the International Registration Plan section. We believe these expenses should have been paid from appropriations made in the State Road Fund, Unclassified Account (6710-25).

We recommend the Division comply with Chapter 17C, Article 5A, Section 3 of the West Virginia Code, as amended.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

As a part of our examination, we reviewed and tested the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute assurance as to the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further projection of any evaluation of

internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting control for the period July 1, 1987 through June 30, 1989, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed conditions that we believe to be material weaknesses.

Weaknesses Over Control of Motor Vehicle Titles

Our observation of inventory controls and the procedures for the requisitioning and completion of motor vehicle titles disclosed certain conditions that we believe result in weaknesses in the internal control structure. The following paragraphs outline our findings:

1) The Division does not reconcile the number of "Instant Print" titles produced with the number of titles requisitioned from title inventory by the Instant Print Section. A periodic reconciliation designed to account for the ultimate disposition of all motor vehicle titles, including those which must be discarded because of error should be performed by division employees who are independent of the title inventory and printing functions and retained for subsequent audit review.

We recommend the Division strengthen the internal controls over the requisitioning and usage of motor vehicle titles.

2) We observed when titles are mutilated, produced with incorrect information or must be destroyed for other reasons, the Division's policy is to discard the usable title. In order to maintain security over titles, the Division should consider the following procedures for any titles deemed unusable: 1. record the serial number of the title; 2. record the reason the title was deemed unusable;

3. deface the title to prevent use of the title; and, 4. retain the defaced title for subsequent audit review.

We recommend the Division strengthen internal controls over titles which are deemed to be unusable.

3) We noted that some applications for motor vehicle titles are mailed in and entered into the computer system in the Division's Data Processing Section. In the event the system detects any reason the title application should not be honored, the Director of the Data Processing Section or any Section Chiefs assigned can individually perform a system override and thereby process the title. We believe internal control would be enhanced if two employees were required to override the system and all system overrides were documented by a file memorandum or other appropriate notation.

We recommend the Division strengthen internal controls in the area of system override.

4) We were informed by Division personnel that periodically titles will be received from the printer with identical serial numbers. As a result, the log books and daily activity reports will be in error leading to the false conclusion that some titles are unaccounted for. Also, no documentation is maintained to identify titles having identical serial numbers.

We recommend the Division strengthen internal controls over titles having identical serial numbers.

Weakness Over Disposition of Motor Vehicle Decals

The Division's Support Services Section issues motor vehicle registration decals to all 55 counties, Martinsburg and Winfield Branch Offices, and the window clerks in the Division. The Support Services Section controls the decals and logs where each block of 1,000 decals or parts thereof are issued or

shredded. In our review of the log books and reconciliation, we were unable to determine the final disposition of \$8,540,050.00 worth of decals as follows:

<u>Decal Year</u>	<u>Number of Decals Not Accounted For</u>	<u>Dollar Value of Decals</u>
1988	236,000	\$5,900,000.00
1989	52,002	1,300,050.00
1990	<u>53,600</u>	<u>1,340,000.00</u>
	<u>341,602</u>	<u>\$8,540,050.00</u>

We believe the cause of the unaccounted for decals lies in the distribution area. We were informed if the regular person who issues the decals is not immediately available, another person will issue or obtain the decals and no entry is made as to the disposition of the decals. Upon discovery that a block of decals have been removed from the inventory storage area, the distribution person will attempt to determine the disposition of the decals. If the location of the decals is discovered, the appropriate entry is made in the inventory log book. Otherwise, no entry is made resulting in the inability to account for the disposition of all decals.

In addition, we noted the serial numbers of the decals are not recorded when issued. The use of the serial number would enhance controls to ensure the proper disposition of decals that have been issued to qualified registrants of motor vehicles in the State.

We recommend the Division strengthen internal controls over motor vehicle registration decals.

Decals Not Under Effective Accounting Control

The window clerks that issue motor vehicle registration decals obtain the decals from the vault in blocks of 100 decals each. The serial numbers of the decals are recorded when the clerk first obtains the decals. If the clerk does not sell all decals during a given day, they will place the unsold decals in an envelope, write their name on the envelope and return it to the vault for

safekeeping. They will then retrieve that same envelope the next business day and sell these decals prior to obtaining another block of 100 decals.

We noted no reconciliations are made between the sale of decals as shown on the cash register tapes and the number of decals issued and returned to the vault. There are no records kept on who returns decals or the number of decals any one person returns to the vault. Therefore, it cannot be determined if all decals issued to clerks result in a sale and that proper fees are collected.

We recommend the Division strengthen internal controls in the area of the issuance and sale of motor vehicle registration decals by the window clerks.

International Registration Plan

The State of West Virginia is a member of the International Registration Plan Program for interstate carriers. Through participation in the program, a reciprocal agreement requires West Virginia to assess and collect prorated registration fees due other participating jurisdictions from interstate carriers based in West Virginia. The Division of Motor Vehicles created the International Registration Plan (IRP) Account (8421-12) to hold monies due other jurisdictions.

Theoretically, the Division should be able to itemize the balance of the IRP account as to the exact amounts due other jurisdictions. We learned that an unidentified balance of approximately \$120,000.00 has been maintained in the IRP account between 1989 and the concluding date of our current fieldwork (June 12, 1992). The probable cause of the unidentified balance is that the cashier's summary report used to prepare the deposit tickets were headed "IRP" and the employee preparing the deposit ticket mistakenly concluded that all monies should be credited to the International Registration Plan Account (8421-12). In fact, a portion of the prorated fees were due West Virginia and should have been credited to the State Road Fund.

The Division of Motor Vehicles now utilizes a new deposit form for the International Registration Plan section. It appears the use of this form should enhance the ability to record deposits in the proper accounts.

We recommend the Division perform monthly reconciliations regarding the International Registration Plan Account (8421-12) in order to itemize the account balance among the various jurisdictions to whom the balance is owed.

No Accounting Procedures Manual

We noted in our review the Division of Motor Vehicles does not have a procedures manual which documents the general accounting system. As a result, new employees have no formal written instruction to refer to as varying situations present themselves in the daily activities of the Division. The use of accounting manuals would assist the employees, new and old alike, in becoming familiar with the operations of the Division, aid in the identification of key controls, and help detect weaknesses in the system.

We recommend the Division develop an accounting procedures manual and update the manual as changes in the accounting environment occur.

Inventory of Secure Paper Items

We noted during the examination of the inventory of secure paper items such as motor vehicle titles, camera cards, permits and bills of sale that the inventory balances are not available on a perpetual basis. The accounting system for these inventory items is designed to maintain actual perpetual counts; however, the system is not being fully utilized as designed. Instead, the Division makes periodic counts of inventory and records any adjustments needed to the inventory records.

We recommend the Division strengthen internal controls over the inventory of secure paper items.

No Records Kept On Plates Sent for Recycling

In our examination of registration plates inventory, it was noted that unissued license plates are periodically returned to the Division's Support Services Section. If the plates returned to the Support Services Section are not in sequential order, they are returned to the Division of Corrections, Office of Prison Industries for recycling. No record is made or maintained as to which plates are returned to the Office of Prison Industries for recycling purposes. The Division receives no credit for these plates, nor does anyone from the Division observe that the plates are in fact recycled.

We recommend the Division strengthen internal controls over license plates returned for recycling.

Receipt Books

We noted that various sections of the Division use prenumbered receipt books. However, much of the usefulness of the receipt book is lost by the haphazard manner in which the books are used. We noted the receipt books are not used in numerical sequence. As a result, it cannot be adequately determined if all receipt books, and therefore copies of receipts, are accounted for.

The use of prenumbered receipt books enhances internal control by having a numerical trail of the collection of moneys received by the Division. The receipt books should be used in numerical sequence to help ensure that all moneys received are deposited intact with the State Treasurer. The present use of the receipt books by the Division defeats this purpose.

We recommend the Division strength internal controls over the use of the prenumbered receipt books.

Internal Control Weaknesses in Returned Checks Section

Two areas of weakness in internal controls in the area of returned checks were noted in our study and evaluation. They are as follows:

- 1) Worksheets prepared in regards to individual returned check cases are not

always completed. Without the worksheet being completely filled out, it cannot be determined whether the proper fees were assessed in each case.

We recommend the Division take measures to ensure that all information is collected and recorded on the worksheet to ensure that the proper fees are assessed and collected.

2) Generally, a sufficient audit trail does not exist to facilitate tracing of moneys received for returned checks and fees to deposit in the state treasury. The files are stamped with a cash register imprint but cannot be traced to their subsequent deposit with the State Treasurer.

We recommend the Division strengthen internal controls over the deposit of monies collected from returned checks and applicable fees.

Weakness in Safekeeping of Registration Plates

We noted in our walk-through and observation that registration plates are kept under the counter by the Division's Window Clerks. There is no ready access to the license plates by customers; however, the plates are not placed in a safekeeping area overnight. It is possible that unauthorized personnel could gain access to these plates after working hours.

We recommend the Division strengthen internal controls in the area of license plates assigned for distribution by the window clerks.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of appropriations/cash receipts, expenditures/disbursements and changes in fund balances of the West Virginia Division of Motor Vehicles for the years ended June 30, 1989 and June 30, 1988. The financial statement is the responsibility of the management of the West Virginia Division of Motor Vehicles. Our responsibility is to express an opinion on the financial statement based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Records needed to determine the receipt of fees paid for Motorboat Registration Fees are not retained for any prior periods. As a result, we were unable to determine if the proper fees were assessed and paid into the State Treasury, nor were we able to perform alternative procedures to satisfy ourselves as to the proper fees being assessed, collected and deposited.

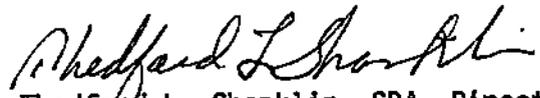
We noted significant weaknesses in the internal control structure in the disposition of "Instant Print" Motor Vehicle Titles. We were unable to determine the disposition of all Motor Vehicle Titles issued to the section, nor were we able to perform alternative procedures to satisfy ourselves as to the disposition of the Titles in question. We also noted significant weaknesses in the internal structure over the disposition of Motor Vehicle Registration Decals. We were unable to determine the disposition of some 341,602 decals, with an approximate dollar value of \$8,540,050.00 for decal years 1990, 1989 and 1988, nor were we able to perform alternative procedures to determine the disposition of these decals.

As described in Note A, the financial statement was prepared on the cash and modified cash basis of accounting, which are comprehensive bases of accounting other than generally accepted accounting principles.

In our opinion, except for the effects, if any, of the matters discussed in paragraphs three and four above, the financial statement referred to above presents fairly, in all material respects, the appropriations and expenditures and revenue collected and expenses paid of the West Virginia Division of Motor Vehicles for the years ended June 30, 1989 and June 30, 1988, on the bases of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, except for the effects, if any, of the matters discussed in paragraphs three and four above, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,



Theford L. Shanklin, CPA, Director

June 12, 1992

Auditors: Michael E. Sizemore, CPA, Supervisor
Bryon S. Montgomery, Auditor-in-Charge

WEST VIRGINIA DIVISION OF MOTOR VEHICLES
STATEMENT OF APPROPRIATIONS/CASH RECEIPTS,
EXPENDITURES/DISBURSEMENTS AND CHANGES IN FUND BALANCES

	For The Year Ended June 30, 1989		
	General Revenue	State Road Fund	Special Revenue
Appropriations/Cash Receipts:			
Appropriations	\$ -0-	\$ 6,761,700.00	\$ -0-
Revenues	345,865.09	155,233,466.04	-0-
Refunds	-0-	6,642.58	-0-
Motorboat Registrations	-0-	-0-	104,591.50
Accident Security Deposits	-0-	-0-	7,600.00
Hearing Fees	-0-	-0-	30,225.20
Returned Check Fees	-0-	-0-	40,848.60
Compulsory Insurance Fees	-0-	-0-	753,649.19
Suspension/Revocation Fees	-0-	-0-	196,625.93
Driver Rehabilitation Fees	-0-	-0-	397,001.00
Prorated Registration Fees	-0-	-0-	3,037,427.31
	<u>345,865.09</u>	<u>162,001,808.62</u>	<u>4,567,968.73</u>
Expenditures/Disbursements:			
Personal Services	-0-	2,286,520.28	613,268.66
Employee Benefits	-0-	708,026.49	174,719.15
Current Expenses	-0-	2,593,543.98	521,201.36
Repairs and Alterations	-0-	1,874.95	-0-
Equipment	-0-	97,780.99	12,998.09
Annual Increment	-0-	43,308.00	-0-
Claims Against the State	-0-	400.00	-0-
Intra Governmental Transfers	-0-	-0-	-0-
Refunds Due Other Jurisdictions	-0-	-0-	1,739,805.73
Refunds	-0-	115,835.72	4,531.00
Transfers to General Fund	345,865.09	-0-	-0-
Transfers to State Road Fund	-0-	155,117,630.32	-0-
	<u>345,865.09</u>	<u>160,964,920.73</u>	<u>3,066,523.99</u>
Appropriations/Cash Receipts Over (Under) Expenditures/ Disbursements	-0-	1,036,887.89	1,501,444.74
Expirations and Expenditures After June 30	-0-	1,036,887.89	-0-
Beginning Balance	<u>-0-</u>	<u>-0-</u>	<u>1,540,537.40</u>
Ending Balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$3,041,982.14</u>

See Notes to Financial Statement

<u>Combined Totals</u>	<u>General Revenue</u>	<u>For The Year Ended June 30, 1988</u>		<u>Combined Totals</u>
		<u>State Road Fund</u>	<u>Special Revenue</u>	
\$ 6,761,700.00	\$ -0-	\$ 6,211,371.00	\$ -0-	\$ 6,211,371.00
155,579,331.13	302,082.83	143,546,637.60	-0-	143,848,720.43
6,642.58	-0-	-0-	-0-	-0-
104,591.50	-0-	-0-	99,375.01	99,375.01
7,600.00	-0-	-0-	21,349.00	21,349.00
30,225.20	-0-	-0-	31,233.88	31,233.88
40,848.60	-0-	-0-	38,034.24	38,034.24
753,649.19	-0-	-0-	734,942.88	734,942.88
196,625.93	-0-	-0-	3,775.30	3,775.30
397,001.00	-0-	-0-	395,222.50	395,222.50
<u>3,037,427.31</u>	<u>-0-</u>	<u>-0-</u>	<u>515,380.36</u>	<u>515,380.36</u>
166,915,642.44	302,082.83	149,758,008.60	1,839,313.17	151,899,404.60
2,899,788.94	-0-	2,129,063.09	749,893.88	2,878,956.97
882,745.64	-0-	577,865.62	230,111.43	807,977.05
3,114,745.34	-0-	2,363,796.29	395,208.06	2,759,004.35
1,874.95	-0-	-0-	141.80	141.80
110,779.08	-0-	70,010.03	1,142.25	71,152.28
43,308.00	-0-	-0-	-0-	56,619.45
400.00	-0-	-0-	-0-	-0-
-0-	-0-	-0-	100,000.00	100,000.00
1,739,805.73	-0-	-0-	1,161,793.67	1,161,793.67
120,366.72	-0-	89,602.95	13,582.00	103,184.95
345,865.09	302,082.83	-0-	-0-	302,082.83
<u>155,117,630.32</u>	<u>-0-</u>	<u>143,457,034.65</u>	<u>-0-</u>	<u>143,457,034.65</u>
<u>164,377,309.81</u>	<u>302,082.83</u>	<u>148,687,372.63</u>	<u>2,651,873.09</u>	<u>151,697,948.00</u>
2,538,332.63	-0-	1,070,651.14	(812,559.92)	258,076.05
1,036,887.89	-0-	1,070,651.14	-0-	1,070,651.14
<u>1,540,537.40</u>	<u>-0-</u>	<u>15.17</u>	<u>2,353,097.32</u>	<u>2,353,112.49</u>
<u>\$ 3,041,982.14</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,540,537.40</u>	<u>\$ 1,540,537.40</u>

WEST VIRGINIA DIVISION OF MOTOR VEHICLES

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policies

Accounting Method: The modified cash basis of accounting is followed for the State Road Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. All balances of the State Road Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 31 days after the fiscal year-end; however, appropriations for buildings and land remain in effect until three years after the passage of the act by which such appropriations were made. The cash basis of accounting is followed by all other funds. Therefore, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Expenditures paid after June 30 in the carry-over period and expirations were as follows:

	<u>Expenditures</u>		<u>Expirations</u>	
	<u>Paid After June 30,</u>		<u>July 31,</u>	<u>July 31,</u>
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
Personal Services	\$ 10,140.59	\$ -0-	\$218,816.74	\$ -0-
Unclassified	321,043.38	440,268.24	482,639.18	630,367.73
Annual Increment	-0-	-0-	4,248.00	-0-
Claims Against the State	-0-	-0-	-0-	15.17
	<u>\$331,183.97</u>	<u>\$440,268.24</u>	<u>\$705,703.92</u>	<u>\$630,382.90</u>

Combined Totals: The combined totals contain the totals of similar accounts of the various funds. Since the appropriations and cash receipts of certain funds are restricted by various laws, rules and regulations, the totaling of the accounts is for memorandum purposes only and does not indicate that the combined totals are available in any manner other than that provided by such laws, rules and regulations.

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4.5% of their annual compensation and employees have vested rights under certain circumstances. The West Virginia Public Employees' Retirement System matches contributions at 9.5% of the compensation on which the employee made contributions. However, legislation suspended all of the matching contributions by PERS during fiscal year 1987. The

West Virginia Division of Motor Vehicles matches contributions at 9.5% of the compensation on which the employee made contributions for all employees whose compensation is paid from any funds other than appropriations from the State Road Fund of West Virginia. The West Virginia Division of Motor Vehicles' pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
State Road Fund	\$192,771.47	\$179,915.60
Special Revenue	57,867.09	71,752.46
	<u>\$250,638.56</u>	<u>\$251,668.06</u>

Note C - Repeal of Accident Security Deposits

House Bill 4189 approved by the 1988 Regular Session of the West Virginia Legislature repealed the provisions of West Virginia Code Chapter 17D, Article 3, Sections 1 through 15 which required a driver or owner of a vehicle involved in an accident to deposit sufficient security with the Division of Motor Vehicles within a certain amount of time following an accident.

Note D - Litter Control Fees

Beginning July 1, 1988 (fiscal year 1989) the West Virginia Legislature passed a law, Chapter 17A, Article 10, Section 15 of the West Virginia Code, which states,

"In addition to each fee provided for in this article, an additional one dollar fee shall be imposed on the issuance of each certificate of registration and renewal thereof issued pursuant to article three [§17A-3-1 et seq.] of this chapter. All money collected under this section shall be deposited in the state treasury and credited to a fund to be established within the department of highways, named the "Highway Litter Control Fund" for litter control maintenance of the highways. The additional fee provided herein shall be imposed for each application for such certificate and renewal thereof made on or after the first day of July, one thousand nine hundred eighty-eight."

Note E - International Registration Plan

The International Registration Plan is a registration reciprocity agreement between the State of West Virginia and other jurisdictions within the United States and Canada for payment of license fees on the basis of fleet miles operated in various jurisdictions.

The unique feature of this Plan is that even though license fees are paid to the various jurisdictions in which fleet vehicles are operated, only one (1) license plate and on (1) cab card is issued for each fleet vehicle when registered under the Plan. A fleet vehicle is known as an apportionable vehicle and such vehicle, so far as registration is concerned may be operated both interjurisdictionally and intrajurisdictionally.

West Virginia became a part of this Plan in 1985 and it is presently generating approximately \$15,000,000.00 (Fifteen million dollars) for the State of West Virginia.

SUPPLEMENTAL INFORMATION

WEST VIRGINIA DIVISION OF MOTOR VEHICLES
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 GENERAL REVENUE FUND

<u>Instruction Permit Fees - Account 6300-80</u>	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
Cash Receipts:		
Instruction Permit Fees	\$345,865.09	\$302,082.83
Disbursements:		
Transfers to State General Revenue Fund	<u>345,865.09</u>	<u>302,082.83</u>
	-0-	-0-
Beginning Balance	<u>-0-</u>	<u>-0-</u>
Ending Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

WEST VIRGINIA DIVISION OF MOTOR VEHICLES
 STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
 STATE ROAD FUND

	Year Ended June 30,	
	1989	1988
<u>Personal Services - Account 6710-00</u>		
Appropriations	\$2,609,014.00	\$ -0-
Expenditures:		
Personal Services	2,296,660.87	-0-
Employee Benefits	93,536.39	-0-
	2,390,197.26	-0-
	218,816.74	-0-
Transmittals Paid After June 30	10,140.59	-0-
Balance	\$ 228,957.33	\$ -0-
 <u>Unclassified - Account 6710-25</u>		
Appropriations	\$4,104,730.00	\$6,211,371.00
Refunds	6,642.58	-0-
	4,111,372.58	6,211,371.00
Expenditures:		
Personal Services	-0-	2,129,063.09
Employee Benefits	652,538.03	591,489.20
Current Expenses	2,798,812.35	2,783,209.70
Repairs and Alterations	6,103.26	853.41
Equipment	171,279.76	76,387.87
	3,628,733.40	5,581,003.27
	482,639.18	630,367.73
Transmittals Paid After June 30	321,043.38	440,268.24
Balance	\$ 803,682.56	\$1,070,635.97

WEST VIRGINIA DIVISION OF MOTOR VEHICLES
 STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
 STATE ROAD FUND

	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
<u>Annual Increment - Account 6710-66</u>		
Appropriations	\$47,556.00	\$ -0-
Expenditures	<u>43,308.00</u>	<u>-0-</u>
	4,248.00	-0-
Transmittals Paid after June 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ 4,248.00</u>	<u>\$ -0-</u>
 <u>Claims Against the State - Account 6710-79</u>		
Appropriations	\$ 400.00	\$ -0-
Re-appropriations	<u>-0-</u>	<u>15.17</u>
	400.00	15.17
Expenditures	<u>400.00</u>	<u>-0-</u>
	-0-	15.17
Transmittals Paid after June 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ -0-</u>	<u>\$ 15.17</u>

WEST VIRGINIA DIVISION OF MOTOR VEHICLES
 STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
 STATE ROAD FUND

<u>License Tax - Primary Account 6710-81</u>	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
Cash Receipts:		
License Tax	\$60,802,640.99	\$55,818,678.99
Disbursements:		
Refunds	69,201.60	39,568.02
Transfers to State Road Fund	60,733,439.39	55,779,110.97
	60,802,640.99	55,818,678.94
	-0-	-0-
Beginning Balance	-0-	-0-
Ending Balance	\$ -0-	\$ -0-
<u>Highway Litter Control Fund - Account 6710-88</u>		
Cash Receipts:		
Litter Fees	\$ 1,175,977.00	\$ -0-
Disbursements:		
Transfers to State Road Fund	1,175,977.00	-0-
	-0-	-0-
Beginning Balance	-0-	-0-
Ending Balance	\$ -0-	\$ -0-
<u>Privilege Tax - Secondary Account 6710-93</u>		
Cash Receipts:		
Privilege Tax	\$93,254,848.05	\$87,727,958.61
Disbursements:		
Refunds	46,634.12	50,034.93
Transfers to State Road Fund	93,208,213.93	87,677,923.68
	93,254,848.05	87,727,958.61
	-0-	-0-
Beginning Balance	-0-	-0-
Ending Balance	\$ -0-	\$ -0-

WEST VIRGINIA DIVISION OF MOTOR VEHICLES
 STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCE
 SPECIAL REVENUE

<u>Motorboat Registration Fees - Account 8421-05</u>	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
Cash Receipts:		
Motorboat Registration Fees	\$104,591.50	\$ 99,375.01
Disbursements:		
Personal Services	70,423.47	76,110.58
Employee Benefits	18,293.90	21,870.61
Current Expenses	46,702.76	26,973.03
Repairs and Alterations	-0-	141.80
Equipment	47.00	-0-
Intra Governmental Transfer	-0-	100,000.00
	<u>135,467.13</u>	<u>225,096.02</u>
Cash Receipts (Under) Disbursements	(30,875.63)	(125,721.01)
Beginning Balance	<u>293,179.23</u>	<u>418,900.24</u>
Ending Balance	<u>\$262,303.60</u>	<u>\$293,179.23</u>
 <u>Accident Security Deposits - Account 8421-06</u>		
Cash Receipts:		
Security Deposits	\$ 7,600.00	\$ 21,349.00
Disbursements:		
Refunds of Security Deposits	<u>4,506.00</u>	<u>13,582.00</u>
Cash Receipts Over Disbursements	3,094.00	7,767.00
Beginning Balance	<u>315,226.28</u>	<u>307,459.28</u>
Ending Balance	<u>\$318,320.28</u>	<u>\$315,226.28</u>

WEST VIRGINIA DIVISION OF MOTOR VEHICLES
 STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCE
 SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
<u>Hearing Fees - Account 8421-07</u>		
Cash Receipts:		
Hearing Fees Collections	\$ 30,225.20	\$ 31,233.88
Disbursements:		
Current Expenses	<u>15,296.90</u>	<u>16,005.79</u>
Cash Receipts Over Disbursements	14,928.30	15,228.09
Beginning Balance	<u>84,306.07</u>	<u>69,077.98</u>
Ending Balance	<u><u>\$ 99,234.37</u></u>	<u><u>\$ 84,306.07</u></u>
 <u>Returned Check Fees - Account 8421-08</u>		
Cash Receipts:		
Returned Check Fees	\$ 40,848.60	\$ 38,034.24
Disbursements:		
Personal Services	19,143.18	22,683.34
Employee Benefits	5,461.01	8,437.83
Current Expenses	1,648.92	2,168.50
Equipment	<u>2,892.34</u>	<u>-0-</u>
	<u>29,145.45</u>	<u>33,289.67</u>
Cash Receipts Over Disbursements	11,703.15	4,744.57
Beginning Balance	<u>112,744.43</u>	<u>107,999.86</u>
Ending Balance	<u><u>\$124,447.58</u></u>	<u><u>\$112,744.43</u></u>

WEST VIRGINIA DIVISION OF MOTOR VEHICLES
 STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCE
 SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
<u>Insurance Certificate Fees - Account 8421-09</u>		
Cash Receipts:		
Compulsory Insurance Fees	\$753,649.19	\$734,942.88
Disbursements:		
Personal Services	462,271.99	598,747.20
Employee Benefits	137,367.39	186,587.14
Current Expenses	59,536.23	30,676.64
Equipment	1,475.00	-0-
	<u>660,650.61</u>	<u>816,010.98</u>
Cash Receipts Over (Under) Disbursements	92,998.58	(81,068.10)
Beginning Balance	<u>184,578.01</u>	<u>265,646.11</u>
Ending Balance	<u>\$277,576.59</u>	<u>\$184,578.01</u>
<u>Drivers License Suspension/Revocation Fees -</u>		
<u>Account 8421-10</u>		
Cash Receipts:		
Suspension/Revocation Fees	\$196,625.93	\$ 3,775.30
Disbursements:		
Personal Services	35,269.73	21,235.40
Employee Benefits	8,298.15	4,691.15
Current Expenses	56,319.24	365.00
Equipment	5,636.95	-0-
	<u>105,524.07</u>	<u>26,291.55</u>
Cash Receipts Over (Under) Disbursements	91,101.86	(22,516.25)
Beginning Balance	<u>20,433.62</u>	<u>42,949.87</u>
Ending Balance	<u>\$111,535.48</u>	<u>\$ 20,433.62</u>

WEST VIRGINIA DIVISION OF MOTOR VEHICLES
 STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCE
 SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
<u>Driver Rehabilitation Fees - Account 8421-11</u>		
Cash Receipts:		
Rehabilitation Fees	\$ 397,001.00	\$ 395,222.50
Disbursements:		
Personal Services	26,160.29	31,117.36
Employee Benefits	5,298.70	8,524.70
Current Expenses	341,697.31	319,019.10
Equipment	2,946.80	1,142.25
Other Disbursements	25.00	200.00
	<u>376,128.10</u>	<u>360,003.41</u>
Cash Receipts Over Disbursements	20,872.90	35,219.09
Beginning Balance	<u>298,037.48</u>	<u>262,818.39</u>
Ending Balance	<u>\$ 318,910.38</u>	<u>\$ 298,037.48</u>
 <u>International Registration Plan -</u>		
<u>Account 8421-12</u>		
Cash Receipts:		
Pro Rated Registration Fees	\$3,037,427.31	\$ 515,380.36
Disbursements:		
Other Disbursements	<u>1,739,805.73</u>	<u>1,161,593.67</u>
Cash Receipts Over (Under) Disbursements	1,297,621.58	(646,213.31)
Beginning Balance	<u>232,032.28</u>	<u>878,245.59</u>
Ending Balance	<u>\$1,529,653.86</u>	<u>\$ 232,032.28</u>

WEST VIRGINIA DIVISION OF MOTOR VEHICLES

RECONCILIATIONS

SPECIAL REVENUE

JUNE 30, 1989

Motorboat Registration Fees - Account 8421-05

Balance per State Treasury and Agency \$ 262,303.60

Accident Security Deposits - Account 8421-06

Balance per State Treasury and Agency \$ 318,320.28

Hearing Fees - Account 8421-07

Balance per State Treasury and Agency \$ 99,234.37

Returned Check Fees - Account 8421-08

Balance per State Treasury and Agency \$ 124,447.58

Insurance Certificate Fees - Account 8421-09

Balance per State Treasury and Agency \$ 277,576.59

Drivers License Suspension/Revocation Fees -
Account 8421-10

Balance per State Treasury and Agency \$ 111,535.48

Driver Rehabilitation Fees - Account 8421-11

Balance per State Treasury and Agency \$ 318,910.38

International Registration Plan - Account 8421-12

Balance per State Treasury and Agency \$1,529,653.86

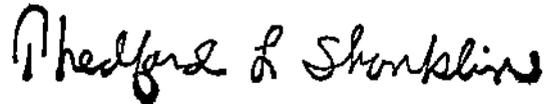
STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Postaudit Division, do hereby certify that the report of audit 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 8th day of December,

1992.



Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the Secretary of the Department of Transportation; Commissioner of the Division of Motor Vehicles; Governor; Attorney General; and, State Auditor.