

# STATE OF WEST VIRGINIA

## AUDIT REPORT

### OF

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

TAX DIVISION FUND - ACCOUNT 0470

JOBS GROWTH TAX RELIEF RECON. ACT 2003 TRUST FUND - ACCOUNT 0472

REFUNDABLE CREDIT REIMBURSEMENT - ACCOUNT 0473

ADDITIONAL TAX ADMINISTRATION FUND - ACCOUNT 7050

OIL AND GAS REVENUE FUND ADMINISTRATION - ACCOUNT 7052

COUNTY TAX FUND - ACCOUNT 7053

INHERITANCE TAX ADMINISTRATION HB 445 FUND - ACCOUNT 7054

COUNTY ASSESSORS LOAN FUND - ACCOUNT 7056

TRANSIENT VENDOR FUND - ACCOUNT 7059

SALES OF TAX MAPS FUND - ACCOUNT 7064

TAX COLLECTION AGENCY CLEARING FUND - ACCOUNT 7066

CEMETERY COMPANY REGISTRATION FUND - ACCOUNT 7071

MEDICAID STATE SHARE ADMINISTRATION FUND - ACCOUNT 7072

SPECIAL AUDIT AND INVESTIGATIVE UNIT FUND - ACCOUNT 7073

INTERNATIONAL FUEL TAX AGREEMENT CLEARING FUND - ACCOUNT 7075

SOLID WASTE FEE CLEARING FUND - ACCOUNT 7077

TAX DEPARTMENT INSURANCE PROCEEDS FUND - ACCOUNT 7081

TAX DIVISION LOTTERY FUND - ACCOUNT 7082

MOTOR FUEL GENERAL TAX ADMINISTRATION FUND - ACCOUNT 7083

TAX AMNESTY FUND - ACCOUNT 7084

GASOLINE TAX DIVISION FUND - ACCOUNT 9001

FEDERAL MOTOR FUELS AUDITS FUND - ACCOUNT 7069

FOR THE PERIOD

JULY 1, 2003 - JUNE 30, 2005



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

**TAX DIVISION FUND - ACCOUNT 0470**  
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**INTERNATIONAL FUEL TAX AGREEMENT CLEARING FUND - ACCOUNT 7075**  
**SOLID WASTE FEE CLEARING FUND - ACCOUNT 7077**  
**TAX DEPARTMENT INSURANCE PROCEEDS FUND - ACCOUNT 7081**  
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**MOTOR FUEL GENERAL TAX ADMINISTRATION FUND - ACCOUNT 7083**  
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**FOR THE PERIOD**

**JULY 1, 2003 - JUNE 30, 2005**

**WEST VIRGINIA LEGISLATURE**  
***Joint Committee on Government and Finance***

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CHARLESTON, WEST VIRGINIA 25305-610

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 expenditure accounts of the West Virginia Department of Revenue.

Our examination covers the period July 1, 2003 through June 30, 2005. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Theford L. Shanklin".

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Theford L. Shanklin, CPA, Director  
Legislative Post Audit Division

TLS/ela;gc

**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

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**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

**EXIT CONFERENCE**

We held an exit conference on May 16, 2006 with the Acting State Tax Commissioner and Deputy Tax Commissioner of the State Tax Department and all findings and recommendations were reviewed and discussed. The spending unit's responses are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our findings in the General Remarks section of this report.

# **WEST VIRGINIA DEPARTMENT OF REVENUE**

## **STATE TAX DEPARTMENT**

### **INTRODUCTION**

The West Virginia Department of Revenue, previously known as the West Virginia Department of Tax and Revenue, was created by the 1989 Legislature, which combined the following departments and agencies under the leadership of the Secretary of Tax and Revenue: Alcohol Beverage Control Administration, Retail Liquor Licensing Board, Division of Banking, Board of Banking and Financial Institutions, Lending and Credit Rate Board, Insurance Commission, Lottery Commission, Racing Commission, State Tax Department, and the Property Valuation Training and Procedures Commission. The Department of Tax and Revenue began operations on July 1, 1989. On June 11, 2004, legislation took effect reorganizing the Department and changing its name to the Department of Revenue. The Department, through the West Virginia State Tax Department, is charged with the responsibility for the enforcement of statutes relating to certain state taxes and collection thereof, including the beer barrel tax, business and occupation tax, business franchise tax, cigarette tax, use tax, consumer sales and services tax, corporate license tax, corporation net income tax, estate tax, gasoline and special fuels excise tax, health care provider tax, motor carrier road tax, nonintoxicating beer tax, personal income tax, severance tax, soft drinks tax, telecommunications tax and wine liter tax. The responsibility for appraising industrial, natural resource and utility properties, overseeing the assessment work of county assessors, preparing the Board of Public Works tentative ad valorem property tax assessments for all public utilities operating within the state, and issuing permits for and regulating bingo occasions and charitable raffles held throughout the State also rests with the West Virginia State Tax Department.

**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

**ADMINISTRATIVE OFFICERS AND STAFF**

**JUNE 30, 2005**

**Administration**

Virgil T. Helton..... Tax Commissioner  
Christopher G. Morris..... Assistant Tax Commissioner  
Dale W. Steager ..... General Counsel  
Susan G. Richards..... Administrative Secretary to the Tax Commissioner  
Mark Muchow..... Director of Fiscal Policy  
Jeanette Ahangardezfooli..... Administrative Secretary to Director of Fiscal Policy  
Patricia J. Haddy..... Operations Division Director  
Dan R. Taylor..... Auditing Division Director  
Jeffrey Oakes. .... Compliance Division Director  
Lexie H. Redden ..... Criminal Investigation Division Director  
Linda Bennett ..... Internal Auditing Division Director  
Dale W. Steager ..... Legal Division Director  
William K. James ..... Networking and PC Support Division Director  
Dennis Ledford ..... Programming Division Director  
W. Wade Thompson ..... Property Tax Division Director  
Roger Cox ..... Research and Development Division Director  
Dana L. Miller ..... Revenue Division Director  
Lee Ann Kennedy..... Taxpayer Services Division Director

**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

**SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES**

**Lack of Effective System of Internal Controls**

1. During the course of our examination, it became apparent to us, based on the observed noncompliance with the West Virginia Code, the State Tax Department did not have an effective system of internal controls in place to ensure compliance with State laws, rules and regulations. We believe an effective system of internal controls would have alerted management to these violations at an earlier date and allowed more timely corrective action.

**Auditors' Recommendation**

We recommend the State Tax Department comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and establish an effective system of internal controls.

**Spending Unit's Response**

*We will comply with the audit recommendation. (See pages 18-20)*

**Inventory**

2. We noted the State Tax Department could not account for \$4,216,027.06 of inventory which spending unit personnel told us had been retired through the State Agency for Surplus Property of the West Virginia Department of Administration (Surplus Property) and was not inactivated in the WVFIMS Fixed Asset System by Surplus Property and \$1,847,001.74 of other inventory. In addition, the State Tax Department stores inventory no longer needed at the State Tax Department's warehouse, rather than sending such items to Surplus Property.

**Auditors' Recommendation**

We recommend the State Tax Department comply with the West Virginia Surplus Property Program Reference Manual. In addition, we recommend the State Tax Department strengthen their internal controls over inventory records and surplus all State property no longer needed. Furthermore, we recommend the State Tax Department work with the State Agency for Surplus Property to adjust their inventory records to exclude inventory lost and sent to Surplus Property.

**Spending Unit's Response**

*We will comply with this audit recommendation. (See pages 20-25)*

**Compensatory Time**

3. We noted the State Tax Department does not keep adequate records of compensatory time in accordance with the Fair Labor Standards Act of 1938, as amended.

**Auditors' Recommendation**

We recommend the State Tax Department comply with the Fair Labor Standards Act of 1938, as amended, and strengthen internal controls over the recording of compensatory time.

**Spending Unit's Response**

*We will comply with this audit recommendation. (See pages 25-27)*

**Failure to Follow Purchasing Guidelines**

4. Two instances were noted where purchasing procedures were not followed.

**Auditors' Recommendation**

We recommend the State Tax Department comply with West Virginia Purchasing Division Policies and Procedures Handbook, Sections 3.3, 8.3, 8.18, and 9.0.

**Spending Unit's Response**

*We will comply with this audit recommendation.* (See pages 28-32)

**Paying Salary and Benefits of Non-Tax Department Employee**

5. We noted one instance in which one employee transferred to the West Virginia Development Office, however the State Tax Department and the Department of (Tax and) Revenue continued to pay for the employee's salary and benefits.

**Auditors' Recommendation**

We recommend the State Tax Department comply with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended.

**Spending Unit's Response**

*We will comply with this audit recommendation.* (See pages 32-35)

**Hours Worked Not Reflected on Monthly Attendance Report**

6. The Monthly Attendance Reports in use by the Auditing Division does not reflect time worked by the employees and therefore does not reflect overtime worked by the employees.

**Auditors' Recommendation**

We recommend the State Tax Department comply with the Fair Labor Standards Act of 1938, as amended and the State Tax Department's procedures for accounting for hours worked.

**Spending Unit's Response**

*We will comply with this audit recommendation.* (See pages 35-39)

**Payment of Salary Before Services Were Rendered**

7. One employee was granted 1.75 hours of annual leave and 14.25 hours of sick leave prior to the employee's accrual of the leave. In addition, the employee's leave accrual was not

prorated to reflect the non-pay period which should have resulted from the employee taking the un-accrued leave.

**Auditors' Recommendation**

We recommend the State Tax Department comply with Chapter 12, Article 3, Section 13, of the West Virginia Code, as amended and the Division of Personnel Administrative Rules.

**Spending Unit's Response**

*We will comply with this audit recommendation. (See pages 39-42)*

**Separation Pay**

8. We noted two employees were overpaid a total of \$38.07, three employees were underpaid a total of \$2,018.62.

**Auditors' Recommendation**

We recommend the State Tax Department comply with Chapter 5, Article 5, Section 1; Chapter 5, Article 5, Section 2, as amended; Chapter 5, Article 5, Section 3, as amended; Chapter 12, Article 3, Section 13, as amended, of the West Virginia Code; West Virginia Department of Personnel Administrative Rule, Series 1, Title 143; The Fair Labor Standards Act of 1938, as amended; and all applicable opinions issued by the Attorney General and the Division of Personnel Annual Increment Policy.

**Spending Unit's Response**

*The discrepancies in the findings are attributed to the differences in leave calculation methods used by the Legislative Auditor and the Division of Personnel. (See pages 42-48)*

### **Annual Increment Calculations**

9. During our audit of annual increment payments, we noted an employee was overpaid a total of \$100.00 in annual increment.

### **Auditors' Recommendation**

We recommend the State Tax Department comply with Chapter 5, Article 5, Section 1 and Chapter 5, Article 5, Section 2, of the WV Code, as amended. In addition, we recommend the State Tax Department attempt to recover the annual increment overpayments from the employee.

### **Spending Unit's Response**

*We will comply with this audit recommendation. (See pages 48-50)*

**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

**GENERAL REMARKS**

**INTRODUCTION**

We have completed a post audit of the West Virginia State Tax Department. The examination covers the period July 1, 2003 through June 30, 2005.

**GENERAL REVENUE ACCOUNTS**

The State Tax Department was appropriated funds for the general operations of the Department in the following accounts during the audit period.

<b><u>Account Number</u></b>	<b><u>Description</u></b>
0470-001 .....	Tax Division Fund - Personal Services
0470-004 .....	Tax Division Fund - Annual Increment
0470-010 .....	Tax Division Fund - Employee Benefits
0470-094 .....	Tax Division Fund - Unclassified Surplus
0470-097 .....	Tax Division Fund - Unclassified Surplus
0470-099 .....	Tax Division Fund - Unclassified
0470-250 .....	Tax Division Fund - Employee Benefits Surplus
0470-292 .....	Tax Division Fund - Integrated Tax Accounting System
0470-364 .....	Tax Division Fund - Pay Equity Reserve
0470-450 .....	Tax Division Fund - Technology Upgrade - Surplus
0470-570 .....	Tax Division Fund - Remittance Processor
0470-653 .....	Tax Division Fund - Multi State Tax Commissioner
0470-562 .....	Tax Division Fund - GIS Development Project
0470-913 .....	Tax Division Fund - BRIM Premium
0472-553 .....	Jobs Growth Tax Relief Recon. Act 2003 Trust Fund
0473-553 .....	Refundable Credit Reimbursement LTY TFR - Statutory Transfers

The following accounts were utilized by the West Virginia State Tax Department solely for the purpose of depositing collections into the State General Revenue Fund:

<b><u>Account Number</u></b>	<b><u>Description</u></b>
0470-502 .....	Tax Division Fund - Consumer Sales Tax
0470-503 .....	Tax Division Fund - Personal Income Tax
0470-504 .....	Tax Division Fund - Severance Tax
0470-505 .....	Tax Division Fund - Business Occupation Tax
0470-506 .....	Tax Division Fund - Corporate Net Income Tax
0470-509 .....	Tax Division Fund - Cigarette Tax
0470-510 .....	Tax Division Fund - Use Tax
0470-512 .....	Tax Division Fund - Telecommunication Tax
0470-513 .....	Tax Division Fund - Estate Tax
0470-519 .....	Tax Division Fund - Corporate Charter Tax
0470-521 .....	Tax Division Fund - Business Franchise Registration Fee
0470-542 .....	Tax Division Fund - Drug Paraphernalia Tax
0470-584 .....	Tax Division Fund - Fines and Penalties
0470-596 .....	Tax Division Fund - Smokeless Tobacco Tax
0472-553 .....	Jobs Growth Tax Relief Reconstruction Act 2003 First Fund
0473-553 .....	Refundable Credit Reimbursement LTY TFR - Statutory Transfers

**SPECIAL REVENUE ACCOUNTS**

During our audit period the State Tax Department operated the following special revenue accounts which are described in greater detail below:

<b><u>Account Number</u></b>	<b><u>Description</u></b>
7050-099 .....	Additional Tax - Administration Fund
7052-099 .....	Oil and Gas County Revenue Fund Administration
7053-099 .....	County Tax Fund
7054-099 .....	Inheritance Tax Administration HB 445 Fund
7055-099 .....	Medicaid Enhancement Tax Administrative Fund
7056-099 .....	County Assessors Loan Fund
7057-099 .....	Surface Mining Reclamation Fund
7059-099 .....	Transient Vendor Fund
7064-099 .....	Sales of Tax Maps Fund
<b><u>Account</u></b>	

<u>Number</u>	<u>Description</u>
7066-099	Tax Collection Agency Clearing Fund
7067-426	Office of the Chief Inspector Fund
7068-418	Administration of Seized Wells Fund
7071-001	Cemetery Company Registration Fund - Personal Services
7071-004	Cemetery Company Registration Fund - Annual Increment
7071-010	Cemetery Company Registration Fund - Employee Benefits
7071-099	Cemetery Company Registration Fund - Unclassified
7072-099	Medicaid State Share Administration Fund
7073-001	Special Audit and Investigative Unit Fund - Personal Services
7073-004	Special Audit and Investigative Unit Fund - Annual Increment
7073-010	Special Audit and Investigative Unit Fund - Employee Benefits
7073-099	Special Audit and Investigative Unit Fund - Unclassified
7075-099	International Fuel Tax Agreement Clearing Fund
7076-099	Out of State Compliance Account
7077-640	Solid Waste Fee Clearing Fund
7078-640	Forestry Tax Fund
7079-099	Telemarketer Registration Fund
7080-099	Telemarketer Registration Surety Bond Investment
7081-099	Tax Department Insurance Proceeds Fund
7082-054	Tax Division Lottery Fund
7083-099	Motor Fuel General Tax Administration Fund
7084-640	Tax Amnesty Fund
7085-099	Economic Opportunity Development District Fund
9001-426	Gasoline Tax Division Fund

**Additional Tax - Administration Fund - Account 7050**

As required by Chapter 11, Article 13A, Section 6 of the West Virginia Code, as amended, this account consists of thirty-five thousand dollars, retained annually from the additional taxes collected on coal, as a fee for the administration of such additional tax by the State Tax Commissioner.

**Oil and Gas County Revenue Fund Administration - Account 7052**

As required by Chapter 11, Article 13A, Section 5a of the West Virginia Code, as amended, this account contains thirty-five thousand dollars deposited annually from the dedicated

tax attributable to the severance of oil and gas. This amount is a fee for the administration of the additional tax by the State Tax Commissioner.

**County Tax Fund - Account 7053**

Payments received for the cost of services or acts performed by the State Tax Commissioner under the Statewide electronic data processing system network for administration of the ad valorem property tax on real and personal property provided for in Chapter 11, Article 1A, Section 21 of the West Virginia Code, are deposited into this revolving fund created in the State Treasurer's Office.

**Inheritance Tax Administration HB 445 Fund - Account 7054**

As required by Chapter 44, Article 3A, Section 42 of the West Virginia Code, as amended, of the sums collected by a fiduciary supervisor for an estate or trust, five dollars is forwarded to the State Tax Commissioner and deposited into this account. This account is to be used to defray, in whole or in part, the costs of administration of taxes imposed in order to facilitate the prompt administration of the provisions imposed.

**Medicaid Enhancement Tax Administrative Fund - Account 7055**

This account was inactive during the audit period.

**County Assessors Loan Fund - Account 7056**

This account consists of payments from County Assessors to repay a loan issued pursuant to 1990 House Bill 4127, Chapter 172 of the Acts of the West Virginia Legislature requiring the West Virginia State Board of Investments to loan up to \$5,000,000.00 under commercially reasonable terms to the Property Valuation Training and Procedures Commission for the sole purpose of conducting Statewide property reappraisal. Chapter 11, Article 1C,

Section 4 of the West Virginia Code, as amended, established the authority for the Property Valuation Training and Procedures Commission to borrow five million dollars and to distribute such funds according to need and the valuation plan submitted by the counties.

**Surface Mining Reclamation Fund - Account 7057**

With the exception of the \$4,887.21 balance during our audit period, the account was inactive during the period July 1, 2003 through June 30, 2005.

**Transient Vendor Fund - Account 7059**

As required in Chapter 11, Article 12, Section 23 of the West Virginia Code, a transient vendor, with its application for a business registration certificate, will post a bond with the State Tax Commissioner in the amount of five hundred dollars as surety for compliance with the provisions of the business registration tax. The bond is deposited into this account.

**Sales of Tax Maps Fund - Account 7064**

This account consists of receipts from the sale of tax maps to defray costs and transfer remaining funds to county assessors.

**Tax Collection Agency Clearing Fund - Account 7066**

The account consists of collection of delinquent taxes by collection agencies.

**Office of the Chief Inspector Fund - Account 7067**

This account was inactive during our audit period.

**Administration of Seized Wells Fund - Account 7068**

This account consists of taxes remitted to administer seizure of wells. With the exception of a balance of \$1,029.07 during our audit period, this account was inactive.

**Cemetery Company Registration Fund - Account 7071**

This account was created in Chapter 35, Article 5B, Section 2 of the West Virginia Code. The account consists of registration fees and changes fees to be used by the Secretary of the Department of Revenue to ensure compliance of pre-need cemetery companies.

**Medicaid State Share Administration Fund - Account 7072**

The State Tax Commissioner retains from the Medicaid State Share Fund two hundred thousand dollars each fiscal year to be deposited into this account. The monies are to be used for administration and collection of health care provider taxes

**Special Audit and Investigative Unit Fund - Account 7073**

As required in Chapter 11, Article 9, Section 2a of the West Virginia Code, as amended, charitable bingo fees, charitable raffle fees, and charitable raffle boards and games fees in an amount not to exceed the amount appropriated by the West Virginia Legislature in any fiscal year shall be deposited into this account established in the Office of the State Treasurer. This account is to be used to support compliance expenditures relating to the establishment, operation, maintenance and support of the Criminal Investigation Division and the Special Audits Division. Such expenditures may include, but shall not be limited to, employee compensation, equipment, office supplies and travel expenses.

**International Fuel Tax Agreement Clearing Fund - Account 7075**

All amounts collected under the International Fuel Tax Agreement are deposited daily by the State Tax Commissioner into this account which was created by Chapter 11, Article 14B, Section 11 of the West Virginia Code. The State Tax Commissioner distributes the funds in this account as follows:

Payments due and owing to member jurisdictions under the international fuel tax agreement are distributed as provided in the agreement.

Refunds for over payment of motor fuel taxes by a West Virginia based interstate motor carrier are made from the account.

The State Tax Commissioner will periodically reconcile this account and, after reconciliation, transfer to the State Road Fund all deposits in the Clearing Fund of motor fuel use taxes imposed.

Funds in the account are invested in the same manner as funds in the State Road Fund and all earnings from these investments are deposited in the State treasury and credited to the State Road Fund. These investments shall not affect or interfere with distributions from the account in accordance with the terms of the International Fuel Tax Agreement.

**Out of State Compliance Account - Account 7076**

This account was inactive during the period July 1, 2003 through June 30, 2005.

**Solid Waste Fee Clearing Fund - Account 7077**

The net proceeds of the solid waste assessment interim fee collected by the tax commissioner pursuant to Chapter 22C, Article 4, Section 30 of the West Virginia Code are deposited, at least monthly, into this account. The West Virginia Solid Waste Management Board allocates the proceeds of this account.

**Forestry Tax Fund - Account 7078**

This account was inactive during the period July 1, 2003 through June 30, 2005.

**Telemarketer Registration Fund - Account 7079**

This account was inactive during the period July 1, 2003 through June 30, 2005.

**Telemarketer Registration Surety Bond Investment - Account 7080**

This account was inactive during the period July 1, 2003 through June 30, 2005.

**Tax Department Insurance Proceeds Fund - Account 7081**

This account contains insurance proceeds for a Dodge Stratus in Fiscal Year 2005.

**Tax Division Lottery Fund - Account 7082**

This account consisted of monies appropriated in the Fiscal Year 2005 Budget Bill (SB 133) to be used for a remittance processor. The appropriation was from surplus in the State excess lottery revenue fund in Fiscal Year 2004 and was to be available for expenditure during the Fiscal Year 2005.

**Motor Fuel General Tax Administration Fund - Account 7083**

The State Tax Commissioner is authorized to retain one half of one percent of the Motor Fuel Excise tax collected pursuant to Chapter 11, Article 14C, Section 47 of the West Virginia Code, as amended. In any fiscal year in which the tax collected exceeds \$300,000,000.00, the State Tax Commissioner is authorized to retain an additional one percent of the tax in excess of the three hundred million dollars that is collected. The amount retained by the State Tax Commissioner is deposited into this account and may be expended for the general administration of the tax.

**Tax Amnesty Fund - Account 7084**

This account was created in Chapter 11, Article 10D, Section 12 of the West Virginia Code into which is deposited all payments received under the Tax Amnesty Program. On a monthly basis, the tax amnesty account is distributed as follows:

1. Dedicated taxes. - A dedicated tax and applicable interest collected under the Tax Amnesty Program is deposited in the fund or account in which the tax would have been deposited had the tax been timely paid; and  
Other taxes - After complying with number 1, all other funds collected under the Tax Amnesty Program are deposited into the State General Revenue Fund.

**Economic Opportunity Development District Fund - Account 7085**

This account was inactive during the period July 1, 2003 through June 30, 2005.

**Gasoline Tax Division Fund - Account 9001**

The Motor Fuel Excise Tax and Motor Carrier Road Tax are deposited into this account. Other than the one half of one percent of the Motor Fuel Excise Tax collected, the remaining funds are transferred into the State Road Fund and are to be used for the purpose of construction, reconstruction, maintenance and repair of highways, matching Federal funds available for highway purposes and payment of interest and sinking fund obligations on State highway bonds.

**FEDERAL ACCOUNT**

During our audit period the State Tax Department maintained an account to contain monies received from the Federal government to audit motor fuel accounts of taxpayers doing business in West Virginia. Monies collected from the Federal government were deposited with the West Virginia State Treasurer in the following account:

<b><u>Account Number</u></b>	<b><u>Description</u></b>
7069-096 .....	Federal Motor Fuel Audits Fund

**Federal Motor Fuel Audits Fund - Account 7069**

Federal Funds to audit motor fuel accounts of taxpayers doing business in West Virginia.

**COMPLIANCE MATTERS**

We tested applicable sections of the West Virginia Code, plus the legislatively approved rules and regulations of the West Virginia State Tax Department, as well as, other rules,

regulations, policies, and procedures as they pertain to fiscal matters. Our findings are discussed below.

### **LACK OF EFFECTIVE SYSTEM OF INTERNAL CONTROL**

During the course of our post audit, it became apparent to us, based on the observed noncompliance with the West Virginia Code and other rules and regulations which governed the State Tax Department, the Department did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

“The head of each agency shall:

. . .(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities. . . .”

This law requires the agency head to have in place an effective system of internal controls in the form of policies and procedures designed to ensure the agency operates in compliance with the laws, rules and regulations which govern it.

During our audit of the Department, we found the following violations of State laws or other rules and regulations: (1) The State Tax Department could not account for \$4,216,027.06 of inventory which according to them had been retired to the State Agency for Surplus Property of the West Virginia Department of Administration (Surplus Property) and \$1,847,001.74 of other inventory. In addition, the State Tax Department stores inventory no longer needed at the State Tax Department's warehouse rather than sending such items to Surplus Property. (2) We observed the State Tax Department does not keep adequate records of

compensatory time in accordance with the Fair Labor Standards Act of 1938, as amended. (3) During our substantive testing of Object Code 025 - Contractual and Professional transactions, we noted two instances where purchasing procedures were not followed. (4) During our testing, we noted one instance where an employee transferred from the State Tax Department to the West Virginia Development Office; however, the State Tax Department and the Department of Revenue continued to pay for the employee's salary and fringe benefits. (5) The Auditing Division's Monthly Attendance Reports do not reflect hours worked. (6) We observed one employee was granted 1.75 hours of annual leave and 14.25 hours of sick leave prior to the employee's accrual of the leave. In addition, the employee's leave accrual was not prorated to reflect the non-pay period which should have resulted from the employee taking the un-accrued leave. (7) During our retirements and resignations test of controls, we noted that two employees were overpaid a total of \$38.07 and three employees were underpaid a total of \$2,018.62 relating to annual increment and annual leave lump sum payment. (8) During our annual increment test of controls, we noted one instance in which one employee's annual increment (longevity) payment during fiscal years 2005 and 2004 was not calculated using the correct years of service.

We recommend the State Tax Department comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and establish an effective system of internal controls.

**Spending Unit's Response**

*According to the audit report, there were eight (8) items under the "Lack of Effective System of Internal Controls" section of the report. The current Acting Tax Commissioner cannot comment with certainty regarding past Commissioners' attitude toward*

*internal controls. The Legislative Auditor can be assured, beyond any doubt, that this Commissioner, who was appointed by Governor Manchin on January 17, 2005 and who has been licensed as a Certified Public Accountant for over thirty years, brings a very serious and professional attitude toward the implementation, maintenance, and monitoring of the Agency's internal controls.*

### **Inventory**

The State Tax Department enters all items costing more than \$200.00 and all computer equipment into the WVFIMS Fixed Asset System regardless of the purchase price. In addition, equipment purchased by the State Tax Department is entered into a Microsoft Excel inventory spreadsheet, organized and sorted by division which is maintained by an Operations Division employee.

The State Tax Department retires or disposes inventory through the State Agency for Surplus Property of the West Virginia Department of Administration (Surplus Property). We were told an electric WV-103 (Retirement) form must be completed and with respect to those items that have been included in WVFIMS Fixed Asset System, the aforementioned Operations Division employee goes into the system and "retires" the equipment to Surplus Property electronically. The Operations Division Director approves the cover sheet in the Fixed Asset System, prints the cover sheet and signs it. A copy of the cover sheet is retained and the original copy is sent to Surplus Property. For those items that are not included in the WVFIMS Fixed Asset System, a WV-103 form is completed and forwarded to the Operations Division Director for approval. She approves the form and the Division's mail carrier delivers the form to Surplus Property.

Once Surplus Property has approved the cover sheet/form, it is faxed back to the Operations Division for confirmation purposes. Surplus Property will contact the Operations Division to set up a date for pick up and the Operations Division in turn contacts the unit disposing of the equipment to inform them of the date Surplus Property will be picking up the items. The Operations Division provides the unit with a cover sheet/WV-103 form for each item which is attached to the equipment that Surplus Property is to pick up. The Surplus Property drivers bring the cover sheet/WV-103 with them and check off each item as they pick them up, and initials the cover sheet/WV-103. According to the Operations Division, Surplus Property maintains the documentation, but they may obtain a copy upon request. Once Surplus Property has picked up the items, a member of Surplus Property's staff will go into WVFIMS and "inactivate" the items. An Operations Division employee told us the Fixed Asset System will show an "N" for "not active" and in the retirement section "COM" for "complete."

A physical inventory is taken once every three years and is to be completed by June 30<sup>th</sup>. The last physical inventory taken by State Tax Department personnel was conducted in June 2003. The WVFIMS Fixed Asset System Asset Listing for the June 2003 physical inventory has an acquisition value of fixed assets totaling \$9,964,025.04, which includes computer equipment and furniture. We were provided by the Operations Division with a copy of the WVFIMS Fixed Asset System Asset Listing where it had been determined \$4,216,027.06 of inventory retired to Surplus Property was not inactivated in the WVFIMS Fixed Asset System by Surplus Property. According to our audit report of Surplus Property for the period July 1, 2001 to June 30, 2003, Surplus Property does not maintain an inventory of State surplus property available for sale. Additionally, we were informed by an Operations Division employee that it had been determined

\$1,847,001.74 of inventory on the WV FIMS Fixed Asset System Asset Listing for the State Tax Department is deemed as “lost”. We were informed by the State Tax Department they are unable to locate these items and Surplus Property told them to consider and mark the items as “lost”.

Upon conducting a walk-thru of the State Tax Department’s warehouse, a member of the Warehouse staff told us the State Tax Department stores a large amount of inventory, which is no longer needed there rather than sending such items to Surplus Property. He further stated the majority of items were placed in storage at the Warehouse upon the State Tax Department’s relocation to the Revenue Center in downtown Charleston, West Virginia. These warehoused items include, but are not limited to, computer equipment and furniture. It is possible the items located at the warehouse could be the inventory items surplus property deemed as “lost” and the inventory the Tax Department believes was sent to Surplus Property.

West Virginia Surplus Property Program Reference Manual, referred to as Appendix H in the West Virginia Purchasing Division Policies and Procedures Handbook, 1.1 Property Retirement, states in part:

“ . . . The Surplus Property Unit is responsible for the disposition of All State property no longer needed by the owning agency, regardless of the acquisition cost. Even though the reportable capitalization figure is \$1,000 for reportable equipment, property costing less than \$1,000 must also be retired to the Surplus Property Unit. The methods for disposing of surplus equipment are as follows:

- **Deliver Property to the Surplus Property Unit**
- **Request the Surplus Property Unit to Pick Up Property**
- **Request Sale-on-Site**
- **Request Vendor Trade-in**
- **Sell for Scrap**
- **Send to Landfill**

It is important to remember that the Surplus Property Unit must approve all methods of disposition with the exception of "Lost" "Stolen" or "Destroyed" regardless of the acquisition cost. ALL property no longer needed in a department is to be retired to the Surplus Property Unit of the Purchasing Division.

The disposal process will begin when the agency makes the decision to dispose or retire a piece of property . . . "

The State Tax Department has weaknesses in its internal controls over equipment inventory. Additionally, the State Agency for Surplus Property does not maintain an inventory of State surplus property available for sale which magnifies the effects of weaknesses within the Tax Department's inventory procedures. The State Tax Department could not account for \$4,216,027.06 of equipment inventory which spending unit personnel stated had been retired to Surplus Property, but was not inactivated in the WVFIMS Fixed Asset System and \$1,847,000.00 of equipment inventory belonging to the State Tax Department is reflected as "lost". In addition, the State Tax Department stores outdated or unuseable equipment at its Warehouse rather than sending such items to Surplus Property as mandated by State policy. We determined 60.85% of the State Tax Department's fixed assets on their WVFIMS Fixed Asset Listing cannot be located.

We recommend the State Tax Department comply with the West Virginia Surplus Property Program Reference Manual. In addition, we recommend the State Tax Department strengthen their internal controls over inventory records and surplus all State property no longer needed. Furthermore, we recommend the State Tax Department work with the State Agency for Surplus Property to adjust their inventory records to exclude inventory lost and sent to Surplus Property.

### Spending Unit's Response

*As stated in your report, there is currently a considerable amount of unused property stored in the Department's warehouse. Most of this property was stored in the warehouse many years ago when the State Tax Department relocated to the Revenue Center in downtown Charleston. An evaluation of this property is being conducted to determine if this equipment is needed. All property deemed as unusable by the Department will be sent to the Surplus Property Unit of the West Virginia Department of Administration as required by the West Virginia Surplus Property Program Reference Manual. We are confident that a complete inventory of the aforementioned property currently located in the Department's warehouse will result in the reconciliation of the Department's records with the WVFIMS Fixed Asset System.*

*In regard to the "lost" inventory, in September of 2003, the State Tax Department officials were working to determine the accurate amount of inventory that had been sent to Surplus Property. The Tax Department learned through discussions with employees of the Surplus Property Unit that proper records were not maintained on their end. As noted in your report, this was verified by your office in the audit of the Surplus Property Unit, which ended in June of 2003. In an effort to reconcile internal records with the WVFIMS system, State Tax Department employees were instructed by officials of the Surplus Property Unit that the only way to correct this discrepancy was to submit paperwork that indicated that the property that had been sent to Surplus Property, but whose records had been misplaced, should be recorded as "lost". Unfortunately, during a prior administration a decision was made to indicate that the retired property was lost, when in fact it was actually sent to the Surplus Property Unit.*

*The State Tax Department recognizes the significance of these two issues and is committed to following the proper process and to maintaining the appropriate paperwork. The Department will heed to your suggestions by strengthening internal controls over inventory records and by retiring all State property no longer needed including property from the various departmental offices as well as the aforementioned warehouse.*

### **Compensatory Time**

The Fair Labor Standards Act of 1938, as amended, authorizes a State agency to provide compensatory time off, with certain limitations, in lieu of monetary overtime compensation. Compensatory time received by an employee in lieu of cash for each hour of overtime work, more than 40 hours, must be at the rate of not less than one and one-half hours of compensatory time.

The Fair Labor Standards Act of 1938, as amended, requires records to be kept of the number of hours of compensatory time earned each work period; the number of hours of compensatory time used each work period; the number of hours of compensatory time compensated in cash and the date of such payment; and any collective bargaining agreement. However, the State Tax Department does not have an established formal procedure for the record keeping of compensatory time which is used by all Divisions. The practices of the various State Tax Department Divisions concerning record keeping of compensatory time are detailed below:

- The Operations Division, Compliance Division, Revenue Division, Taxpayer Services Division, Property Tax Division, Legal Division, Auditing Division, Executive Division, and Internal Auditing Division do not accrue or use compensatory time.
- The Criminal Investigations Division employees who work more than their daily work hours note the actual hours worked on their Monthly Attendance Reports. Employees notify a Division Secretary, to have the actual amount of compensatory hours worked recorded onto a dry erase board located in the

Division. Upon taking the compensatory time as leave, the employees notify the Division Secretary to have the compensatory hours adjusted on the dry erase board.

- The Networking Division and Taxpayer Services Division employees who work more than their daily work hours note the compensatory time worked and compensatory leave taken on their Leave Application.
- The Programming Division employees who work more than their daily work hours note compensatory time worked and compensatory leave taken on their Leave Application. A Programming Division Secretary, enters the compensatory leave into the Online Leave System as “Other” leave.
- The Research Division employees who work more than their daily work hours note compensatory time worked and compensatory leave taken on their Leave Application and Monthly Attendance Report.

We determined the State Tax Department does not keep adequate records of compensatory time in accordance with the Fair Labor Standards Act of 1938, as amended. The Fair Labor Standards Act of 1938, as amended, §553.50, states in part:

“For each employee subject to the compensatory time and compensatory time off provisions of section 7(o) of the Act, a public agency which is a State, a political subdivision of a State or an interstate governmental agency shall maintain and preserve records containing the basic information and data required by §516.2 of this title and, in addition:

- (a) The number of hours of compensatory time earned pursuant to section 7(o) each workweek, or other applicable work period, by each employee at the rate of one and one-half hour for each overtime hour worked;
- (b) The number of hours of such compensatory time used each workweek, or other applicable work period, by each employee;

(c) The number of hours of compensatory time compensated in cash, the total amount paid and the date of such payment; and

(d) Any collective bargaining agreement or written understanding or agreement with respect to earning and using compensatory time off. If such agreement or understanding is not in writing, a record of its existence must be kept . . . ”

The State Tax Department does not keep adequate records of compensatory time in accordance with the Fair Labor Standards Act of 1938, as amended. Additionally, we cannot determine whether the number of hours of compensatory time earned by each employee was earned at the rate of one and one-half hour for each overtime hour worked, more than 40 hours; the number of hours of compensatory time used was previously earned; and the correct amount was paid for the number of hours of compensatory time compensated in cash and the date of such payment.

We recommend the State Tax Department comply with the Fair Labor Standards Act of 1938, as amended, and strengthen internal controls over the recording of compensatory time.

#### **Spending Unit's Response**

*Your report is correct in that the Operations Division, Compliance Division, Revenue Division, Taxpayer Services Division, Property Tax Division, Legal Division, Auditing Division, Executive Division, and Internal Auditing Division do not accrue or use compensatory time. The Criminal Investigations Division, Information Technology Division, and the Research Division do accrue and use compensatory time.*

*The State Tax Department is committed to complying with the Fair Labor Standards Act of 1938, and will strengthen internal controls over the recording of compensatory time and will make sure that this is done consistently across the Department.*

#### **Failure to Follow Purchasing Guidelines**

During our substantive testing of Object Code 025 - Contractual and Professional transactions, we noted two instances where we believe State purchasing procedures were not followed. In the first instance the State Tax Department (the Department) entered into an agreement with Marshall University Research Corporation (MURC) from July 1, 2003 to June 30, 2004. Marshall University Research Corporation agreed to perform warping, vectorization, attribute tagging, quality checking, edge matching and delivery of final automated seamless map products for all of Randolph and Upshur Counties and part of Summers County, at the rate of \$140,100.00 per year. Additionally, the same agreement was renewed for the period July 1, 2004 to June 30, 2005 at the same rate of pay. The Department paid MURC a total of \$245,175.00 for fiscal years 2005 and 2004. The Department did not receive approval from the Director of the Purchasing Division of the West Virginia Department of Administration (Purchasing Division) prior to any work being performed, nor did MURC certify in writing that at least 75% of the dollars and 51% of the labor would be expended internally by the research corporation as required by the purchasing policies of the State of West Virginia.

The second instance consisted of the Department entering into an agreement with a private corporation, in July 2002, for services from July 1, 2002 through June 30, 2003 in the amount of \$110.00 per hour not to exceed \$27,000.00 for the entire term of the contract. The contractor was to create an interface between the Geographic Information System GIS maps and the individual county current legacy system or the IAS system recently implemented in several county assessors' offices. Prior to this agreement, the Department sent information to the Purchasing Division to justify this vendor as sole source. A letter from the Purchasing Division, dated July 29, 2002, stated as follows:

“The justification remains insufficient. There is no reason stating that no other vendor can do the work . . . .”

The State Tax Department entered into the agreement without the approval of the Purchasing Division and did not bid the services competitively. The Department continued the agreement with this company to perform consultative hardware and software support services to aid the Tax Department in the implementation of their GIS, from July 1, 2003 through June 30, 2004, in the amount of \$110.00 per hour not to exceed \$9,900.00; however, the company was actually paid \$15,345.00 in fiscal year 2004, which exceeded the agreement price. Additionally, the Department did not obtain approval from the Chief Technology Office (CTO) or the Information Services & Communications Division (IS&C) of the Department of Administration. In conclusion, the State Tax Department consistently failed to follow purchasing guidelines in procuring these services.

We believe the failure to follow purchasing guidelines is in noncompliance with the West Virginia Purchasing Division Policies and Procedures Handbook, Section 3.3, which states in part:

**“3.3 Formal Acquisitions (Over \$10,000) . . .**

. . . Agencies under the executive branch of state government are required to process purchases expected to exceed \$10,000 through the Purchasing Division, unless statutorily exempt.”

The West Virginia Purchasing Division Policies and Procedures Handbook, Section 8.18, states in part:

**“8.18 WVU/Marshall University Research Corporations: . . .**

. . . Requests by state agencies for projects to be performed by either of these corporations must be approved by the Purchasing Director prior to any work being performed. The research corporation involved must certify in writing that at least 75% of the dollars and

51% of the labor will be expended internally by the research corporation.”

In addition, this is also in noncompliance with the West Virginia Purchasing Division Policies and Procedures Handbook, Section 8.3, which states in part:

**“8.3 Data Processing Equipment/Software**

The **West Virginia Code**, §5-1B-4(a)(3), requires that the Chief Technology Office (CTO), in conjunction with the Information Services & Communications Division (IS&C) of the Department of Administration, review and approve all data processing procurements for state agencies.

State agencies may process computer hardware, software and consulting services with an estimated value of less than \$10,000 without CTO approval, but must provide copies of agency purchase orders to the CTO. All purchases of computer hardware, software and consulting services in excess of \$10,000 must have prior approval of the CTO’s office before it can be processed. Such proposed purchases must be submitted to- IS&C for review and evaluation, and the results will be forwarded to the CTO’s Office for final approval . . .”

We also believe the instances above are in noncompliance with the West Virginia Purchasing Division Policies and Procedures Handbook, Section 9.0, which states in part:

**“9.0 SOLE SOURCE ACQUISITIONS: . . .**

All sole source purchases over \$10,000 must be submitted to the Purchasing Division for approval **unless exempted.**”

The Department did not seek the Purchasing Director’s approval prior to MURC performing the request. Additionally, MURC did not certify to the Department that at least 75% of the dollars and 51% of the labor will be expended internally by the research corporation.

Additionally, the Department did not receive approval from the Purchasing Division, the Chief Technology Officer, or IS&C prior to entering into the agreements with the

private company mentioned earlier. The Purchasing Division believed the request should have been competitively bid to allow other vendors a chance to bid on the request.

The Purchasing Director may not have approved the MURC agreement and the Department may have had to bid the request, thereby allowing other vendors a chance to bid on the request, if the Department requested approval from the Purchasing Director. Marshall University Research Corporation may have used less than 75% of the dollar amount internally and may have expended less than 51% of the labor internally.

Regarding the other agreement, the Purchasing Division believed the justification for using the company as a sole source vendor was insufficient. If the contract had been subjected to competitive bidding, another vendor may have been able to supply the services at a lesser price. Additionally, the Department paid the company approximately \$5,000 more than the agreement allowed.

We recommend the State Tax Department comply with West Virginia Purchasing Division Policies and Procedures Handbook, Sections 3.3, 8.3, 8.18, and 9.0.

### **Spending Unit's Response**

*During the audit period, the State Tax Department properly executed over 150 contracts of more than \$10,000 that conformed to the rules of the State Purchasing Division. There were only two instances during the audit period where the State Tax Department did not follow the State purchasing procedures. The first instance was an agreement between the State Tax Department and the Marshall University Research Corporation and the second occurrence was a contract to create an interface between the Geographic Information System (GIS) maps and the individual county current legacy systems or the IAS system recently implemented in several county assessors' offices.*

*The Department agrees with the Legislative Auditor that these two contracts were executed improperly. During my tenure as Commissioner, the State Tax Department will comply with all State Purchasing Division guidelines.*

**Paying Salary and Benefits of Non-Tax Department Employee**

We noted one employee transferred from the Office of Secretary of Tax and Revenue to the West Virginia Development Office. His transfer took effect on November 1, 2003; however, the employee's salary continued to be paid from the State Tax Department's Tax Division Fund - Account 0470 until July 1, 2004 when his salary and benefits were transferred to the Secretary of Tax and Revenue's, Office of the Secretary General Administration Fund - Account 0465. A letter from the Cabinet Secretary of the Department of Tax and Revenue to the Director of the West Virginia Development Office, dated October 31, 2003, stated as follows:

"This letter serves to transfer employee .... from the Office of Secretary of Tax and Revenue to the West Virginia Development Office. This letter will take effect November 1, at which time you or your designee will be responsible for providing supervision, work assignments, signing time sheets and paying for the expenses incurred by this employee. The Department of Tax and Revenue, Office of the Secretary, will continue to pay for this employee's salary and benefits.

Effective November 1, 2003, the Secretary of Tax and Revenue is relieved of the aforementioned duties for the supervision of this employee."

We believe the West Virginia Development Office should have paid the employee's salary and benefits from their appropriation or reimbursed the State Tax Department because the Department did not receive the benefits of the employee's services after October 31, 2003.

Below are the payments made to the employee from Account 0470 during our audit period, which were paid after he transferred to the West Virginia Development Office:

<u>Payroll Date</u>	<u>Gross Wages</u>
November 14, 2003	\$ 2,273.50
November 26, 2003	2,273.50
December 16, 2003	2,273.50

<u>Payroll Date</u>	<u>Gross Wages</u>
December 31, 2003	2,273.50
January 16, 2004	2,273.50
January 30, 2004	2,273.50

PLOA February 1, 2004 - May 15, 2004 while running for a public office

<u>Payroll Date</u>	<u>Gross Wages</u>
May 28, 2004	2,273.50
June 15, 2004	2,273.50
June 30, 2004	<u>2,273.50</u>
Total	<u>\$20,461.50</u>

We believe this is in noncompliance with Chapter 12, Article 3, Section 9 of the West Virginia Code, which states:

“Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the state treasury, shall, before any such money is paid out of the state treasury, certify to the auditor that the money for which such requisition is made is needed for present use for the purposes for which it was appropriated; and the auditor shall not issue his warrant to pay any money out of the state treasury unless he is satisfied that the same is needed for present use for such purposes.”

We also believe this is in noncompliance with the Digest of the Enrolled Budget

Bill for FY 2003-2004, which states in part:

“ . . . Sec. 3. Classification of appropriations. - An appropriation for: “Personal services” shall mean salaries, wages and other compensation paid to full-time, part-time and temporary employees of the spending unit but shall not include fees or contractual payments paid to consultants or to independent contractors engaged by the spending unit. . . .

. . . Employee benefits” shall mean social security matching, workers’ compensation, unemployment compensation, pension and retirement contributions, public employees insurance matching, personnel fees or any other benefit normally paid by the employer as a direct cost of employment . . .

. . . Appropriations classified in any of the above categories shall be expended only for the purposes as defined above and only for the spending units herein designated: . . .”

Funding the entire salary of an employee whose job duties benefit the West Virginia Development Office results in the State Tax Department subsidizing the operations of the other spending unit, which should be funded from the Development Office’s accounts. The State Tax Department funded the employee’s salary in the amount of \$20,461.50 during our audit period. Additionally, the Department would have paid approximately \$1,000.00 in the employer’s share of Social Security, approximately \$5,000.00 of the employer portion of PEIA premiums and approximately \$2,000.00 for employer’s public employees retirement matching. This amounts to a total of approximately \$28,000.00 the State Tax Department paid for personal services and employee benefits for an employee of the West Virginia Development Office.

Upon speaking with the Operations Division Director, she agreed with our conclusion that the employee did transfer to the Development Office on November 1, 2003 and the State Tax Department did pay his salary and benefits until July 1, 2004. As of July 1, 2004, the

employee's pay was transferred to the Secretary of the Department of Revenue's account. She informed us the employee still provided services to the Department of Revenue upon his transfer to the West Virginia Development Office; however, she was unsure of what type of services.

We recommend the State Tax Department comply with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended.

**Spending Unit's Response**

*In November of 2003, an employee of the Office of the Secretary was transferred from the Department of Tax and Revenue to the West Virginia Development Office (WVDO). The employee continued to receive compensation and benefits from the State Tax Department while receiving work assignments and completing work duties provided by the West Virginia Development Office.*

*The State Tax Department agrees that the transferred employee should have either been compensated by the WVDO, or the State Tax Department should have been reimbursed for the costs. The Department agrees with the audit results and will avoid similar agreements in the future.*

**Hours Worked Not Reflected on Monthly Attendance Report**

The Monthly Attendance Report form used by the State Tax Department employees is the official attendance and leave recording document (time record). Monthly Attendance Reports are kept by the designated time keeper for each State Tax Department division. The Operations Division Director told us the monthly report completed each month by the employees should reflect the number of hours worked in each workday. This form is to be signed by the employee and then reviewed and signed by the employee's immediate supervisor within their Division to certify that the monthly attendance report is complete and accurate. At

the end of each calendar year, these reports are forwarded to the Operations Division to be filed. The monthly attendance reports are filed in the Operations Division for three years and then archived.

We noted the Auditing Division of the State Tax Department only uses the Monthly Attendance Report form to reflect the number of leave hours the employees take each workday and does not record the actual number of hours worked each day. Based on our work, all other State Tax Department divisions follow the State Tax Department's procedures as related to us by the Operations Division Director in regard to recording hours worked, as well as the number of leave hours the employee takes, on the Monthly Attendance Reports.

The Auditing Division Director told us Auditing Division employees are required to keep an electronic Monthly Attendance Report. He further stated the monthly attendance reports of Auditing Division employees only show the leave taken for each day of the month. The Auditing Division uses an internal leave system database which is an automated leave accrual system maintained by an employee in the Networking Division and the Tax & Revenue Manager (Southern Region) using Microsoft Access. The leave system uses a "start date" to determine the sick and annual leave accrual rate. As an employee prepares a leave application within the database, the employee's monthly attendance report is updated within the database with the employee's leave. The monthly attendance reports are sent electronically to the proper supervisor for approval. These supervisors approve the monthly attendance reports within the internal Leave System database. When an approving supervisor makes an approval, the approving supervisor's name is automatically entered onto the form when the "approved" button is selected. The database recognizes the approving supervisor's name from the name assigned to the computer from which the database is accessed. At the end of each calendar year, monthly attendance

reports for all Auditing Division employees are forwarded to the Operations Division for further processing.

Additionally, Auditing Division employees are eligible to work an adjusted work week. This situation occurs when an employee, upon approval, works more than their regular work hours and they take a corresponding number of hours off work in that week. If the employee works more than the regular daily work hours, they would note the additional hours worked on a Leave Application within the database. This information is automatically updated onto the bottom of the employee's monthly report, showing the amount of adjusted work week hours earned. When the employee subsequently takes the leave amounting to the time they had worked over, they complete a Leave Application within the database showing the leave taken as adjusted work week hours. This information is automatically updated onto the bottom of the employee's monthly report showing the adjusted work week hours being taken.

However, Auditing Division employees are non-exempt for overtime standards under the Fair Labor Standards Act of 1938, as amended. Thus, Auditing Division employees may be entitled to overtime pay. The monthly attendance reports in use by the Auditing Division do not reflect time worked by the employee and therefore do not reflect overtime worked by the employee.

The Fair Labor Standards Act of 1938, as amended, §516.6, states in part:

“ . . . (a) Supplementary basic records: Each employer required to maintain records under this part shall preserve for a period of at least 2 years. . . .”

“ . . . (b) *Basic employment and earnings records.* From the date of last entry, all basic time and earning cards or sheets on which are entered the daily starting and stopping time of individual employees, or of separate work forces, or the amounts of work accomplished by individual employees on a daily, weekly, or pay period basis (for example units produced) when those amounts determine in whole or in part the pay period earnings or wages of those employees . . . .”

A State Tax Department Memo dated October 25, 2005 provided to us and written by the Operations Division Director, states in part:

“ . . . The Monthly Attendance Report form used by State Tax Department employees is the agency’s official attendance and leave recording document time record. The monthly report completed each month by Tax Department employees should reflect the number of hours worked in each workday . . . ”

“ . . . On the contrary, it has come to my attention that the Auditing Division of the Tax Department uses the Monthly Attendance Report form to *only* reflect the number of leave hours their employees take each workday instead of number of hours worked. This form is signed by the employee, reviewed and *signed* by their immediate supervisor to certify that the report is complete and accurate . . . ”

The Auditing Division of the State Tax Department uses the Monthly Attendance Report form to only reflect the number of leave hours the employees take each workday and does not record the number of hours worked. Employees in the Auditing Division are not required to keep time records in accordance with the State Tax Department’s procedures as related to us by the Operations Division. We cannot determine the number of hours worked by Auditing Division employees of the State Tax Department. We cannot determine whether the employee adjusted time was properly accrued and taken. In addition, when the Auditing Division elects to pay overtime pay rather than grant compensatory time off, the monthly attendance report records would not be in compliance with the Fair Labor Standards Act of 1938, as amended, in that hours worked by the employee are not being recorded.

We recommend the State Tax Department comply with the Fair Labor Standards Act of 1938, as amended and the State Tax Department’s procedures for accounting for hours worked.

**Spending Unit's Response**

*As noted in your report, at the time of the audit all of the divisions within the Department were in compliance with the Fair Labor Standards Act of 1938, with the exception of the Auditing Division. Employees of the Auditing Division did not indicate on their monthly attendance report the number of hours worked each day.*

*Prior to the issuance of this report, all Divisions in the Tax Department, including the Auditing Division, will be in compliance with the Fair Labor Standards Act of 1938. Consistency in this area will be found across the Department.*

**Payment of Salary Before Services Were Rendered**

Annual leave accrual is based on the employee's length of service. Sick leave accrual is computed on the basis of hours equal to 1.5 days per month for full-time employees. Annual and sick leave is accrued at the end of each pay period or on the last workday for separating employees. Prorated leave is computed in proportion to normal hours worked and/or hours of paid annual and/or sick leave during the pay period.

We learned an employee was allowed to take 1.75 hours of annual leave and 14.25 hours of sick leave prior to the employee's accrual of the leave. These instances are detailed in the following schedule:

<b><u>Employee</u></b>	<b><u>Date Leave Taken</u></b>	<b><u>Type of Leave</u></b>	<b><u>Amount of Leave Taken</u></b>
#1	07/18/2003	Sick	0.25
#1	08/04/2003	Sick	2.25
#1	08/18/2003	Sick	0.75
#1	09/12/2003	Sick	6.75
#1	11/18/2003	Annual	1.0

<u>Employee</u>	<u>Date Leave Taken</u>	<u>Type of Leave</u>	<u>Amount of Leave Taken</u>
#1	05/19/2004	Annual	0.75
#1	03/11/2005	Sick	<u>4.25</u>
	<b><u>Total</u></b>		<b><u>16.00</u></b>

In addition, the State Tax Department did not prorate this employee's sick and annual accrual in July 2003, August 2003, September 2003, November 2003, and as of March 11, 2005 to reflect the non-pay period which should have resulted from the employee taking the unearned leave. These instances are detailed in the tables below:

<u>Employee Name</u>	<u>Month/Year</u>	<u>Audited Annual Leave Accrual (hours)</u>	<u>Actual Annual Leave Accrual (hours)</u>	<u>Difference (hours)</u>
#1	July 2003	9.99	10.00	(0.01)
#1	August 2003	9.70	10.00	(0.30)
#1	September 2003	9.62	10.00	(0.38)
#1	November 2003	9.94	10.00	(0.06)
#1	March 2005	<u>5.72</u>	<u>6.00</u>	<u>(0.28)</u>
	<b>Totals</b>	<b><u>44.97</u></b>	<b><u>46.00</u></b>	<b><u>(1.03)</u></b>

<u>Employee Name</u>	<u>Month/Year</u>	<u>Audited Sick Leave Accrual (hours)</u>	<u>Actual Sick Leave Accrual (hours)</u>	<u>Difference (hours)</u>
#1	July 2003	11.98	12.00	(0.02)
#1	August 2003	11.64	12.00	(0.36)
#1	September 2003	11.54	12.00	(0.46)
#1	November 2003	11.93	12.00	(0.07)
#1	March 2005	<u>5.72</u>	<u>6.00</u>	<u>(0.28)</u>
	<b>Totals</b>	<b><u>52.81</u></b>	<b><u>54.00</u></b>	<b><u>(1.19)</u></b>

Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, states in part:

“ . . . No money shall be drawn from the treasury to pay the salary of any officer or employee before his services have been rendered . . . ”

Also, Division of Personnel Administrative Rule Title 143, Series 1, 14.3(c), states in part:

“ . . . Annual leave may not be granted in advance of the employee's accrual of the leave . . . ”

“ . . . Annual leave cannot be accrued for hours not paid nor for hours worked beyond the normal workweek which shall not exceed 40 hours . . . ”

Additionally, Division of Personnel Administrative Rule Title 143, Series 1, 14.4(f), states in part:

“ . . . Sick leave may not be granted in advance of the employee's accrual of the leave . . . ”

Division of Personnel Administrative Rule Title 143, Series 1, 14.4(h), states in part:

“ . . . Sick leave cannot be accrued for hours not paid nor for hours worked beyond the normal workweek which shall not exceed 40 hours . . . ”

The aforementioned employee requested, was approved for, and took 1.75 hours of annual leave and 14.25 hours of sick leave prior to the accrual of the leave. In addition, the employee's leave accrual was not prorated to reflect the non-pay period which should have resulted from the employee taking the unaccrued leave. The employee was compensated before services had been rendered. We believe the employee's pay should have been docked \$192.35 for the 16 hours of combined annual and sick leave which the employee took leave prior to the accrual of the leave. In addition, the employee erroneously accrued 1.03 annual leave hours and 1.19 sick leave hours.

We recommend the State Tax Department comply with Chapter 12, Article 3, Section 13, of the West Virginia Code, as amended and the Division of Personnel Administrative Rules.

**Spending Unit's Response**

*The audit prepared by your office revealed that during the time of the audit, one Tax Department employee requested, was approved for, and took 1.75 hours of annual leave and 14.25 hours of sick leave prior to the accrual of the leave.*

*The State Tax Department agrees that this employee should not have been paid for time not worked without a sufficient amount of sick or annual leave to cover the period of missed time. Due to tight time frames, it is often difficult to detect this type of occurrence until after a paycheck has been issued. The Department will communicate to each of the timekeepers that they have the responsibility to closely monitor all employees who have minimal or no sick or annual leave accrued. It will be the responsibility of each timekeeper to immediately notify the Director of the Operations Division of the State Tax Department anytime an employee exceeds the amount of accrued sick or annual leave.*

*The Department agrees with the audit report in that employees should not be compensated before services had been rendered. The Department is committed to ensuring that this does not happen in the future.*

**Separation Pay**

When an employee terminates employment due to retirement, resignation, or transfer, they are entitled to payment of services rendered up to their date of separation, taking annual leave into account. In addition, employees who retire or resign from employment, that meet eligibility requirements, are entitled to prorated annual increment and/or annual leave lump sum payment. In determining such calculations, we noted two employees were overpaid a total of

\$38.07, and three employees were underpaid a total of \$2,018.62. These instances are detailed below:

<u>Employee</u>	<u>Audited Total Gross Pay</u>	<u>Total Gross Pay</u>	<u>Difference</u>
#1	\$ 582.50	\$ 588.20	(\$ 5.70)
#2	2,142.76	2,175.14	(32.38)
#3	5,718.57	5,427.69	290.88
#4	16,494.75	15,606.15	888.60
#5	<u>15,441.38</u>	<u>14,602.23</u>	<u>839.15</u>
Totals	<u>\$40,379.96</u>	<u>\$38,399.41</u>	<u>\$1,980.55</u>

Employee Number One and Employee Number Two were overpaid \$5.70 and \$32.38, respectively, due to the spending unit's personnel's proration of annual increment calculation including proration of days within a semimonthly payroll period. Employee Number Three was underpaid \$290.88 due to: (1) \$44.09 overpaid due to the spending unit personnel's proration of annual increment calculation including proration of days within a semimonthly payroll period; and, (2) \$334.97 underpaid due to the spending unit not excluding holidays in the annual leave lump sum calculation.

Employee Number Four was underpaid \$888.60 due to: (1) \$6.60 underpaid due to the spending unit's proration of annual increment calculation including proration of days within a semimonthly payroll period, the spending unit personnel's calculation of years of service not acknowledging annual leave lump sum payment, and the spending unit personnel's determination of date of separation not taking into account the annual leave lump sum payment; and (2) \$882.00 underpaid due to the spending unit not excluding holidays in the annual leave lump sum calculation.

Employee Number Five was underpaid \$839.14 due to: (1) \$792.09 underpaid due to the spending unit not excluding holidays in the annual leave lump sum calculation and the agency using 506 annual leave hours instead of 510 annual leave hours. The employee's last working day was December 31, 2003 at noon. The last four hours of December 31, were holiday hours. However, the spending unit used four of the employee's annual leave hours in place of the holiday hours; and (2) \$47.06 underpaid due to the spending unit's proration of annual increment calculation including proration of days within a semi-monthly payroll period and the agency personnel's calculation of years of service not acknowledging the employee's date of separation in their calculation. As June 30, 2003 the employee had 30 years of service, however, as of his date of separation, December 31, 2003 plus his annual leave, he had 31 years of State service.

Chapter 5, Article 5, Section 1 of the West Virginia Code, states in part:

“. . . “Years of service” means full years of totaled service as an employee of the state of West Virginia . . . ”

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

“. . . Every eligible employee with three or more years of service shall receive an annual salary increase equal to fifty dollars times the employee's years of service. In each fiscal year and on the first day of July, each eligible employee shall receive an annual increment increase of fifty dollars for that fiscal year . . . ”

Also, Chapter 5, Article 5, Section 3 of the West Virginia Code, as amended, states in part:

“. . . Every eligible employee, as defined in section one of this article, at the time his or her active employment ends due to resignation, death, retirement or otherwise, may be paid in a lump sum amount, at his or her option, for accrued and unused annual leave at the employee's usual rate of pay at such time. The lump sum payment shall be made by the time of what would have been the employee's next regular pay day had his employment continued. In determining the amount of annual leave entitlement, weekends, holidays or other periods of normal, noncountable time shall be excluded . . . ”

Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, states in part:

“ . . . No money shall be drawn from the treasury to pay the salary of any officer or employee before his services have been rendered . . . ”

The West Virginia Division of Personnel Administrative Rule Series 1, Title 143, states in part:

“ . . .14.3 Annual Leave . . . ”

“ . . .(f) Separation from Employment . . . ”

“ . . . 2. Any eligible employee as defined in W. Va. Code §5-5-1 who is separated from employment by resignation, layoff, dismissal, retirement, death or termination, may be paid in a lump sum, at his or her option, for accrued and unused annual leave. Terminal annual leave payment for an employee who selects a lump sum payment shall be calculated as if employment were continuing until the pay period during which the accrued annual leave is exhausted . . . ”

An Attorney General's Opinion dated August 17, 1988 states, in part:

“ . . . During an employee's periods of normal active employment, his accrued annual leave days are only used and credited against such countable workdays (not used against weekend days, holidays or days properly taken as compensatory days earlier earned); therefore, it is the opinion of this office that the Legislature in Code 5-5-3 generally continues such application for determining the amount of the lump sum payment at the time of termination of employment, usually through resignation or retirement. Thus, although an eligible employee will not be remaining on the payroll, but instead will be electing and exercising his option to lump sum payment; nevertheless, the calendar month of the date of his last day on the payroll and/or subsequent calendar months must be used to determine the countable days against which his full month's and/or portion of a month's salary for which he is entitled to be paid in lump sum amount. In respect of any portion of a month and part of a month's salary to which an employee may be entitled, such is to be computed by first striking from consideration as excludable, the aforesaid weekend days, holidays, or other noncountable time, and thereafter determining the fractional part of the monthly salary which is to constitute such lump sum payment, with the numerator thereof being the accrued leave days of an employee remaining and applicable in such month and the denominator thereof being the countable days of such month remaining after the aforesaid exclusions. . . . ”

The Attorney General's Opinion further states:

“ . . . such annual increment constitutes an ‘annual salary increase.’ is thus an integral part of an employee’s gross annual salary, and such increment is not to be deleted or subtracted in the course of determining the value of the payment for accrued and unused annual leave days, either under the ‘remaining on the payroll’ method or under the ‘lump sum payment’ optional method, since such deletion or subtraction unlawfully reduces the value payable for accrued annual leave days. . . .”

Another Attorney General's Opinion dated June 27, 1990 states, in part:

“ . . . Considering that the W. Va. Code § 5-5-2 incremental increase constitutes part of an eligible state employee's regular pay for services previously rendered, any such employee has a statutory right to any accrued pro rata share of that increment owing but not due on his final day of employment. By entitlement to a pro rata share, it is meant that an employee who does not work an entire fiscal year is entitled to a fractional portion of the total increment to which the employee would have been entitled had he been employed during the entire fiscal year. The fraction would have as a numerator the number of pay periods employed, and as a denominator the number twenty-four if the employing agency pays its employees twice monthly. . . .”

This Attorney General's Opinion further states:

“ . . . the W. Va. Code § 5-5-2 increase is an integral part of an employee’s gross annual salary, and such increment is not to be deleted or subtracted in the course of determining the value of payment for accrued and unused annual leave days upon termination of employment. It remains the position of this office today that such a deletion or subtraction for any purpose would unlawfully reduce the value due and payable for past services rendered. . . .”

The Fair Labor Standards Act of 1938, as amended, §516.6, states in part:

“ . . .(a) Supplementary basic records: Each employer required to maintain records under this part shall preserve for a period of at least 2 years . . . ”

“ . . .(b) *Basic employment and earnings records.* From the date of last entry, all basic time and earning cards or sheets on which are

entered the daily starting and stopping time of individual employees, or of separate work forces, or the amounts of work accomplished by individual employees on a daily, weekly, or pay period basis (for example units produced) when those amounts determine in whole or in part the pay period earnings or wages of those employees . . . ”

The West Virginia Division of Personnel, Annual Increment Policy states, in part:

“ . . . Separating employees shall be paid the annual increment on a pro rata basis for the portion of service rendered by the employee during the current fiscal year of employment. . . .

. . . The prorated portion an employee receives upon separation prior to June 30, shall be based on his or her totaled full years of service, and shall be computed based on the months of service rendered in the fiscal year in which the employee terminates. . . .”

We were told the State Tax Department’s proration of annual increment calculation includes proration of days within a semimonthly payroll period and does not acknowledge annual leave lump sum payment in determining the date of separation and years of service to apply to the annual leave calculation. In addition, we were told the spending unit’s annual leave lump sum calculation includes holidays in determining the amount of time an employee remains on the payroll. Our calculation excludes holidays or other periods of normal, non-countable time.

In addition the Operations Division Director stated the spending unit’s calculation of prorated annual increment uses the years of the service the employee had as of June 30, prior to the employee leaving the State Tax Department, instead of using his years of service as of his last working day taking into account any annual lump sum annual leave.

Employees were not correctly compensated for services rendered. Two employees were overpaid a total of \$38.07 and three employees were underpaid a total of \$2,018.62. We project approximately \$8,195.55 of termination pay paid to employees in FY 2005 and 2004 may be understated.

We recommend the State Tax Department comply with Chapter 5, Article 5, Section 1; Chapter 5, Article 5, Section 2, as amended; Chapter 5, Article 5, Section 3, as amended; Chapter 12, Article 3, Section 13, as amended, of the West Virginia Code; West Virginia Department of Personnel Administrative Rule, Series 1, Title 143; The Fair Labor Standards Act of 1938, as amended; all applicable opinions issued by the Attorney General; and the Division of Personnel Annual Increment Policy.

**Spending Unit's Response**

*The Legislative Auditor found several instances where Tax Department employees were either underpaid or overpaid at the time of their separation. When an employee separates employment, they are paid for services rendered up to their last working day, including unused accumulated annual leave as of the date of separation and prorated annual increment, if applicable. The discrepancies in the findings are attributed to the difference in leave calculation methods used by the Legislative Auditor and the Division of Personnel.*

**Annual Increment Calculations**

One employee's annual increment (longevity) payment during fiscal years 2005 and 2004 was not calculated using the correct years of service. The employee received \$600.00 for annual increment (longevity) in July 2003 and \$650.00 annual increment in July 2004. He had a total of 11.67 years of service in July 2003 and 12.67 years of service in July 2004. Therefore, he should have received \$550 during the 2004 fiscal year (based on 11 full years of service as of July 1, 2003) and \$600.00 during the 2005 fiscal year (based on 12 full years of service). This error resulted in the employee being overpaid a total of \$100.00.

Chapter 5, Article 5, Section 1 of the West Virginia Code, states in part,

“ . . . (b) “Years of service” means full years of totaled service as an employee of the state of West Virginia; and . . . ”

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

“(a) Every eligible employee with three or more years of service shall receive an annual salary increase equal to fifty dollars times the employee’s years of service. In each fiscal year and on the first day of July, each eligible employee shall receive an annual increment increase of fifty dollars for that fiscal year. . . .”

After speaking with the Operations Division Director, we believe the aforementioned instances of incorrect years of service calculations and the resulting annual increment (longevity) payments were the result of clerical errors. When the Operations Division personnel at our request recalculated the employee’s 2004 and 2003 annual increment, they agreed with our calculations. We were told the fact that the West Virginia Division of Personnel had revisions to the Annual Increment Policy both years which caused the Operations Division to have conflicting criteria to work with for time off payroll during 2003 and 2004 which resulted in the employee being overpaid \$50.00 each year.

The effect of the State Tax Department not properly calculating employees’ years of service for annual increment (longevity) payments resulted in one employee receiving more annual increment (longevity) compensation than he was entitled to receive. In addition, we projected approximately \$3,000.00 of the total annual increments paid in FY 2005 and FY 2004 could possibly be improperly paid. Total annual increment paid in Fiscal Years 2005 and 2004 amounted to \$298,710.25 and \$287,254.79, respectively.

We recommend the State Tax Department comply with Chapter 5, Article 5, Section 1 and Chapter 5, Article 5, Section 2, of the WV Code, as amended. In addition, we recommend the State Tax Department attempt to recover the annual increment overpayments from the employee.

**Spending Unit's Response**

*The audit found that during the audit period, one employee's annual increment payment was not calculated using the correct years of service resulting in the aforementioned employee receiving an overpayment of \$50 for Fiscal Year 2004 and an overpayment of \$50 for Fiscal Year 2005. The annual increment pay due to this employee for Fiscal Year 2007 will be reduced by \$100 to offset the overpayment for the prior two years.*

*The State Tax Department is committed to accurately keeping records and ensuring that employees are compensated in the proper amount. In this instance, the employee had gone on and off of the payroll and an error was made regarding the individual's start date.*

## INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of appropriations/expenditures/cash receipts, disbursements and changes in fund balances of the West Virginia State Tax Department for the years ended June 30, 2005 and June 30, 2004. The financial statement is the responsibility of the management of West Virginia State Tax Department. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the appropriations and expenditures and revenues collected and expenses paid of West Virginia State Tax Department for the years ended June 30, 2005 and June 30, 2004, 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, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,



Theoford L. Shanklin, CPA, Director  
Legislative Post Audit Division

January 4, 2006

Auditors: Michael E. Sizemore, CPA, Audit Manager  
Timothy C. Butler, CPA, Audit Manager  
Stacy L. Sneed, CPA, Auditor-in-Charge  
Katherine M. Hodge  
Eric B. Ammons

**WEST VIRGINIA DEPARTMENT OF REVENUE  
STATE TAX DEPARTMENT  
STATEMENT OF APPROPRIATIONS/CASH RECEIPTS, EXPENDITURES/  
DISBURSEMENTS AND CHANGES IN FUND BALANCES**

	<u>Year Ended June 30, 2005</u>			
	<u>General Revenue</u>	<u>Special Revenue</u>	<u>Federal Funds</u>	<u>Combined Totals</u>
Appropriations/Cash Receipts				
Appropriations	\$ 46,309,325.00	\$ 0.00	\$ 0.00	\$ 46,309,325.00
Supplemental Appropriation - H.B. 212	75,250.00	0.00	0.00	75,250.00
Supplemental Appropriation - S.B. 1006	0.00	0.00		0.00
Supplemental Appropriation - Transfer from West Virginia Department of Administration	0.00	0.00	0.00	0.00
Supplemental Appropriation - S.B. 2003	0.00	0.00	0.00	0.00
Consumer Sales Taxes	960,172,425.53	0.00	0.00	960,172,425.53
Personal Income Taxes	1,170,087,478.15	0.00	0.00	1,170,087,478.15
Severance Taxes	248,067,923.29	35,000.00	0.00	248,102,923.29
Business Occupation Taxes	182,460,780.90	0.00	0.00	182,460,780.90
Corporate Net Income Taxes	280,788,002.78	0.00	0.00	280,788,002.78
Cigarette Taxes	98,065,896.14	0.00	0.00	98,065,896.14
Use Taxes	102,950,409.40	0.00	0.00	102,950,409.40
Telecommunication Taxes	8,739,560.88	0.00	0.00	8,739,560.88
Estate Taxes	4,797,239.04	0.00	0.00	4,797,239.04
Corporate Charter Taxes	6,690,261.07	0.00	0.00	6,690,261.07
Business Franchise Registration Fees	1,953,552.42	0.00	0.00	1,953,552.42
Drug Paraphernalia Taxes	1,081.07	0.00	0.00	1,081.07
Statutory Transfers	3,804,119.00	400,000.00	0.00	4,204,119.00
Other Registration Fees	0.00	1,190,886.37	0.00	1,190,886.37
Timberland and Woodland Fees	0.00	0.00	0.00	0.00
Solid Waste Assessment Fees	0.00	482,358.57	0.00	482,358.57
Sales - Other	0.00	30,990.00	0.00	30,990.00
Other Collections, Fees, Licenses and Income	0.00	3,112,332.19	0.00	3,112,332.19
Fines and Penalties	8,791.46	0.00	0.00	8,791.46
International Fuel Tax	0.00	3,608,851.00	0.00	3,608,851.00
Tuition Trust Contributions	0.00	0.00	0.00	0.00
Other Taxes	0.00	1,568,675.14	0.00	1,568,675.14
Transportation, Department of	0.00	0.00	3,334.81	3,334.81
Smokeless Tobacco Taxes	<u>4,758,871.67</u>	<u>0.00</u>	<u>0.00</u>	<u>4,758,871.67</u>
	3,119,730,967.80	10,429,093.27	3,334.81	3,130,163,395.88
Expenditures/Disbursements:				
Personal Services	10,051,016.98	1,719,760.84	0.00	11,770,777.82
Employee Benefits	3,778,478.56	650,302.66	0.00	4,428,781.22
Current Expenses	6,176,883.30	2,811,029.52	2,418.13	8,990,330.95
Repairs and Alterations	14,680.58	1,232.58	0.00	15,913.16
Assets	211,728.08	78,618.39	0.00	290,346.47
Payment of Claims and/or Settlement Agreements	0.00	0.00	0.00	0.00
Tax Mapping	0.00	29,413.00	0.00	29,413.00
Other Interest and Penalties	252.37	120,859.29	0.00	121,111.66
Debt Service (Leases - Principal)	47,597.68	7,897.07	875.03	56,369.78
Debt Service (Leases - Interest)	9,081.02	0.00	41.65	9,122.67
Transfers To Public Employee Insurance	0.00	17,226.00	0.00	17,226.00
Agency Reserve Fund	101,932.00	51,020.44	0.00	152,952.44
Debt Service (Bonded - Principal)	0.00	1,729.77	0.00	1,729.77
Debt Service (Bonded - Interest)	0.00		0.00	0.00
Transfers to State General Revenue Fund	<u>3,073,346,392.80</u>	<u>0.00</u>	<u>0.00</u>	<u>3,073,346,392.80</u>
	3,093,738,043.37	5,489,089.56	3,334.81	3,099,230,467.74
Appropriations/Cash Receipts Over Expenditures/Disbursements	25,992,924.43	4,940,003.71	0.00	30,932,928.14
Expirations and Expenditures after June 30	0.00	0.00	0.00	0.00
Beginning Balance	<u>2,966,041.97</u>	<u>4,826,118.31</u>	<u>0.00</u>	<u>7,792,160.28</u>
Ending Balance	<u>\$ 28,958,966.40</u>	<u>\$ 9,766,122.02</u>	<u>\$ 0.00</u>	<u>\$ 38,725,088.42</u>

*See Notes to Financial Statements*

<b>Year Ended June 30, 2004</b>			
<b>General Revenue</b>	<b>Special Revenue</b>	<b>Federal Funds</b>	<b>Combined Totals</b>
\$ 20,443,442.00	\$ 0.00	\$ 0.00	\$ 20,443,442.00
0.00	0.00	0.00	0.00
1,400,000.00	0.00	0.00	1,400,000.00
3,318.00	0.00	0.00	3,318.00
350,000.00	0.00	0.00	350,000.00
927,991,725.22	0.00	0.00	927,991,725.22
1,068,212,079.67	0.00	0.00	1,068,212,079.67
184,354,000.47	70,000.00	0.00	184,424,000.47
177,395,093.81	0.00	0.00	177,395,093.81
181,515,210.74	0.00	0.00	181,515,210.74
102,876,773.18	0.00	0.00	102,876,773.18
93,373,187.63	0.00	0.00	93,373,187.63
11,016,693.70	0.00	0.00	11,016,693.70
9,301,245.76	0.00	0.00	9,301,245.76
5,953,279.69	0.00	0.00	5,953,279.69
1,630,825.37	0.00	0.00	1,630,825.37
650.00	0.00	0.00	650.00
30,948,291.00	200,000.00	0.00	31,148,291.00
0.00	0.00	0.00	0.00
0.00	(31,713.67)	0.00	(31,713.67)
0.00	(314,463.35)	0.00	(314,463.35)
0.00	28,345.00	0.00	28,345.00
0.00	4,093,289.24	0.00	4,093,289.24
22,531.84	0.00	0.00	22,531.84
0.00	845,284.14	0.00	845,284.14
0.00	(83.91)	0.00	(83.91)
0.00	810,240.00	0.00	810,240.00
0.00	0.00	11,505.99	11,505.99
<u>4,731,792.51</u>	<u>0.00</u>	<u>0.00</u>	<u>4,731,792.51</u>
2,821,520,140.59	5,700,897.45	11,505.99	2,827,232,544.03
10,731,831.62	1,270,150.24	0.00	12,001,981.86
3,907,815.88	472,169.63	0.00	4,379,985.51
6,648,904.99	2,564,393.89	7,653.95	9,220,952.83
12,511.93	1,862.43	0.00	14,374.36
223,945.87	90,219.02	1,102.00	315,266.89
0.00	151,644.53	0.00	151,644.53
0.00	42,390.00	0.00	42,390.00
0.00	0.00	0.00	0.00
5,151.61	114,458.47	2,506.10	122,116.18
549.48	13,075.65	243.94	13,869.07
0.00	0.00	0.00	0.00
114,389.00	11,165.00	0.00	125,554.00
0.00	58,760.32	0.00	58,760.32
0.00	4,795.81	0.00	4,795.81
<u>2,799,323,380.59</u>	<u>0.00</u>	<u>0.00</u>	<u>2,799,323,380.59</u>
2,820,968,480.97	4,795,084.99	11,505.99	2,825,775,071.95
551,659.62	905,812.46	0.00	1,457,472.08
(7,700.00)	0.00	0.00	(7,700.00)
<u>2,422,082.35</u>	<u>3,920,305.85</u>	<u>9,075.00</u>	<u>6,351,463.20</u>
<u>\$ 2,966,041.97</u>	<u>\$4,826,118.31</u>	<u>\$ 9,075.00</u>	<u>\$ 7,801,235.28</u>

**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

**NOTES TO FINANCIAL STATEMENT**

**Note A - Accounting Policy**

Accounting Method: The modified cash basis of accounting is followed for all accounts. 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 Tax Division Account Fund appropriations, except for those balances for Personal Services, Employee Benefits, and Unclassified, 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 balances of the Tax Division Account Fund appropriates for Personal Services, Employee Benefits, and Unclassified are reappropriated for expenditure during the following fiscal year. The cash basis of accounting is followed by all other funds. Therefore, certain revenues 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 Paid</u>		<u>Expirations</u>	
	<u>After June 30,</u>		<u>July 31,</u>	<u>July 31,</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Tax Division Account Fund (Account 0470-562):				
GIS Development Project	<u>\$ 0.00</u>	<u>\$7,700.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
	<u>\$ 0.00</u>	<u>\$7,700.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Cemetery Company Registration Account (Account 7071-640)				
Employee Benefits	\$ 24.20	\$ 9.41	\$0.00	\$0.00
Unclassified	<u>103.90</u>	<u>0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
	<u>\$128.10</u>	<u>\$ 9.41</u>	<u>\$0.00</u>	<u>\$0.00</u>

	<u>Expenditures Paid</u>		<u>Expirations</u>	
	<u>After June 30,</u> <u>2005</u>	<u>2004</u>	<u>July 31,</u> <u>2005</u>	<u>July 31,</u> <u>2004</u>
Special Audit and Investigative Unit Account Fund (Account 7073-640):				
Personal Services	\$ 0.00	\$ 1,221.49	\$0.00	\$0.00
Employee Benefits	3,153.08	0.00	0.00	0.00
Unclassified	<u>7,809.14</u>	<u>10,492.30</u>	<u>0.00</u>	<u>0.00</u>
	<u>\$10,962.22</u>	<u>\$11,713.79</u>	<u>\$0.00</u>	<u>\$0.00</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 Department of (Tax and) Revenue - State Tax Department matches contributions at 10.5% of the compensation on which the employees made contributions. The Department of (Tax and) Revenue - State Tax Department's pension expenditures for the 2005 and 2004 fiscal years were as follows:

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Tax Division Fund (0470-010)	\$1,052,374.79	\$1,115,589.38
Tax Division Fund (0470-364)	0.00	295.00
Additional Tax Administration Fund (7050-099)	2,667.96	2,662.71
Oil and Gas County Revenue Fund Admin. (7052-099)	2,187.00	2,063.65
County Tax Fund (7053-099)	20,902.22	20,088.87
Sales of Tax Maps Fund (7064-099)	1,572.49	1,770.08

	<b><u>Year Ended June 30,</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Cemetery Company Registration (7071-010)	1,197.03	1,194.41
Medicaid State Share Admin. Fund (7072-099)	11,954.37	13,262.63
Special Audit & Investigative Unit Fund (7073-001)	0.00	4,096.83
Special Audit & Investigative Unit Fund (7073-010)	64,121.06	72,733.36
Motor Fuel General Tax Admin. Fund (7083-099)	<u>75,228.56</u>	<u>14,709.81</u>
	<b><u>\$1,232,205.48</u></b>	<b><u>\$1,248,466.73</u></b>

**SUPPLEMENTAL INFORMATION**

**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

**STATEMENTS OF APPROPRIATIONS AND EXPENDITURES**

**GENERAL REVENUE**

	<b><u>Year Ended June 30,</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b><u>Tax Division Fund - Personal Services - Fund 0470-001</u></b>		
Appropriations	\$10,402,709.00	\$10,950,709.00
Reappropriations:		
Fiscal Year 2004	362,387.54	0.00
Fiscal Year 2003	<u>339,011.67</u>	<u>220,653.83</u>
	11,104,108.21	11,171,362.83
Expenditures:		
Personal Services	9,791,956.98	10,469,963.62
Transfers To Public Employee Insurance		
Agency Reserve Fund	<u>0.00</u>	<u>0.00</u>
	<u>9,791,956.98</u>	<u>10,469,963.62</u>
	1,312,151.23	701,399.21
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 312,151.23</u>	<u>\$ 701,399.21</u>
<b><u>Tax Division Fund - Annual Increment - Fund 0470-004</u></b>		
Appropriations	\$ 259,060.00	\$259,060.00
Expenditures:		
Personal Services	0.00	(7,444.79)
Annual Increment	<u>259,060.00</u>	<u>266,504.79</u>
	<u>259,060.00</u>	<u>259,060.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Employee Benefits - Fund 0470-010</u></b>		
Appropriations	\$4,194,362.00	\$3,561,722.00
Reappropriations:		
Fiscal Year 2004	166,644.25	0.00
Fiscal Year 2003	<u>0.00</u>	<u>21,617.13</u>
	4,361,006.25	3,583,339.13
Expenditures:		
Employee Benefits	3,778,478.56	3,302,305.88
Transfers To Public Employee Insurance		
Agency Reserve Fund	<u>101,932.00</u>	<u>114,389.00</u>
	<u>3,880,410.56</u>	<u>3,416,694.88</u>
	480,595.69	166,644.25
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 480,595.69</u>	<u>\$ 166,644.25</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Unclassified Surplus - Fund 0470-094</u></b>		
Appropriations	\$1,815,000.00	\$0.00
Reappropriations:		
Fiscal Year 2004	0.00	0.00
Fiscal Year 2003	<u>0.00</u>	<u>0.00</u>
	1,815,000.00	0.00
Expenditures:		
Employee Benefits	0.00	0.00
Transfers To Public Employee Insurance Agency Reserve	0.00	0.00
Fund	<u>0.00</u>	<u>0.00</u>
	<u>0.00</u>	<u>0.00</u>
	1,815,000.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$1,815,000.00</u>	<u>\$0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Unclassified Surplus - Fund 0470-097</u></b>		
Supplemental Appropriations - Senate Bill No. 1006	\$ 0.00	\$ 610,000.00
Supplemental Appropriations - Senate Bill No. 2003	0.00	350,000.00
Supplemental Appropriations - House Bill No. 212	75,250.00	0.00
Supplemental Appropriations - House Bill No. 214	0.00	0.00
Supplemental Appropriations - Senate Bill No. 662	0.00	0.00
Reappropriations:		
Fiscal Year 2004	850,000.00	0.00
Fiscal Year 2003	<u>0.00</u>	<u>550,000.00</u>
	925,250.00	1,510,000.00
Expenditures:		
Current Expenses	<u>682,169.33</u>	<u>660,000.00</u>
	243,080.67	850,000.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$243,080.67</u>	<u>\$ 850,000.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Unclassified - Fund 0470-099</u></b>		
Appropriations	\$7,017,510.00	\$5,475,655.00
Reappropriations:		
Fiscal Year 2004	425,034.01	0.00
Fiscal Year 2003	669,706.00	1,629,811.35
Fiscal Year 2002	<u>.04</u>	<u>.04</u>
	8,112,250.05	7,105,466.39
Expenditures:		
Employee Benefits	0.00	0.00
Current Expenses	5,216,015.24	5,768,567.45
Repairs and Alterations	14,680.58	12,511.93
Assets	211,728.08	223,945.87
Other Disbursements	<u>2,172.33</u>	<u>5,701.09</u>
	<u>5,444,596.23</u>	<u>6,010,726.34</u>
	2,667,653.82	1,094,740.05
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$2,667,653.82</u>	<u>\$1,094,740.05</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Employee Benefits - Surplus</u></b>		
<b><u>Fund 0470-250</u></b>		
Supplemental Appropriation - S.B. 1006	\$ 0.00	\$605,000.00
Expenditures:		
Employee Benefits	<u>0.00</u>	<u>605,000.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b><u>Tax Division Fund - Integrated Tax Accounting System</u></b>		
<b><u>Fund 0470-292</u></b>		
Appropriations	\$22,000,000.00	\$ 0.00
Expenditures:		
Employee Benefits	<u>0.00</u>	<u>0.00</u>
	22,000,000.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$22,000,000.00</u>	<u>\$ 0.00</u>

**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

**STATEMENTS OF APPROPRIATIONS AND EXPENDITURES**

**GENERAL REVENUE**

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Pay Equity Reserve - Fund 0470-364</u></b>		
Supplemental Appropriation - Transfer from West Virginia Department of Administration	\$ 0.00	\$ 3,318.00
Expenditures:		
Personal Services	0.00	2,808.00
Employee Benefits	<u>0.00</u>	<u>510.00</u>
	<u>0.00</u>	<u>3,318.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b><u>Tax Division Fund - Technology Upgrade - Surplus Fund 0470-450</u></b>		
Supplemental Appropriation - S.B. 1006	\$ 0.00	\$185,000.00
Reappropriations:		
Fiscal Year 2004	<u>153,258.46</u>	<u>0.00</u>
	153,258.46	185,000.00
Expenditures:		
Current Expenses	<u>83,954.73</u>	<u>31,741.54</u>
	69,303.73	153,258.46
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 69,303.73</u>	<u>\$153,258.46</u>

**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

**STATEMENTS OF APPROPRIATIONS AND EXPENDITURES**

**GENERAL REVENUE**

	<b><u>Year Ended June 30,</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b><u>Tax Division Fund - GIS Development Project -</u></b>		
<b><u>Fund 0470-562</u></b>		
Appropriations	\$150,000.00	\$150,000.00
Expenditures:		
Personal Services	0.00	0.00
Employee Benefits	0.00	0.00
Current Expenses	<u>105,075.00</u>	<u>150,000.00</u>
	<u>105,075.00</u>	<u>150,000.00</u>
	44,925.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>7,700.00</u>
Balance	<u>\$ 44,925.00</u>	<u>\$ 7,700.00</u>
 <b><u>Tax Division Fund - Remittance Processor - Fund 0470-570</u></b>		
Appropriations	\$381,015.00	\$ 0.00
Expenditures:		
Other Disbursements	<u>54,758.74</u>	<u>0.00</u>
	326,256.26	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$326,256.26</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Multi State Tax Commission - Fund 0470-653</u></b>		
Appropriations	\$77,958.00	\$41,238.00
Expenditures:		
Current Expenses	<u>77,958.00</u>	<u>41,238.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b><u>Tax Division Fund - BRIM Premium - Fund 0470-913</u></b>		
Appropriations	\$11,711.00	\$ 5,058.00
Expenditures:		
Current Expenses	<u>11,711.00</u>	<u>5,058.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Consumer Sales Tax -</u></b>		
<b><u>Fund 0470-502</u></b>		
Cash Receipts:		
Consumer Sales Taxes	\$ 960,172,425.53	\$ 927,991,725.22
Disbursements:		
Transfers to State General Revenue Fund	<u>960,172,425.53</u>	<u>927,991,725.22</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b><u>Tax Division Fund - Personal Income Tax -</u></b>		
<b><u>Fund 0470-503</u></b>		
Cash Receipts:		
Personal Income Taxes	\$1,170,087,478.15	\$1,068,212,079.67
Disbursements:		
Transfers to State General Revenue Fund	<u>1,170,087,478.15</u>	<u>1,068,212,079.67</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS**

**GENERAL REVENUE**

**Year Ended June 30,**

**2005**

**2004**

**Tax Division Fund - Severance Tax - Fund 0470-504**

Cash Receipts:		
Severance Taxes	\$248,067,923.29	\$184,354,000.47
Disbursements:		
Transfers to State General Revenue Fund	<u>248,067,923.29</u>	<u>184,354,000.47</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**Tax Division Fund - Business Occupation Tax -  
Fund 0470-505**

Cash Receipts:		
Business Occupation Taxes	\$182,460,780.90	\$177,395,093.81
Disbursements:		
Transfers to State General Revenue Fund	<u>182,460,780.90</u>	<u>177,395,093.81</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Corporate Net Income Tax - Fund 0470-506</u></b>		
Cash Receipts:		
Corporate Net Income Taxes	\$280,788,002.78	\$181,515,210.74
Disbursements:		
Transfers to State General Revenue Fund	<u>280,788,002.78</u>	<u>181,515,210.74</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b><u>Tax Division Fund - Cigarette Tax - Fund 0470-509</u></b>		
Cash Receipts:		
Cigarette Taxes	\$ 8,065,896.14	\$102,876,773.18
Disbursements:		
Transfers to State General Revenue Fund	<u>98,065,896.14</u>	<u>102,876,773.18</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

GENERAL REVENUE

Year Ended June 30,  
2005                      2004

**Tax Division Fund - Use Tax - Fund 0470-510**

Cash Receipts:		
Use Taxes	\$102,950,409.40	\$ 93,373,187.63
Disbursements:		
Transfers to State General Revenue Fund	<u>102,950,409.40</u>	<u>93,373,187.63</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**Tax Division Fund - Telecommunication Tax -  
Fund 0470-512**

Cash Receipts:		
Telecommunication Taxes	\$ 8,739,560.88	\$ 1,016,693.70
Disbursements:		
Transfers to State General Revenue Fund	<u>8,739,560.88</u>	<u>11,016,693.70</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Estate Tax - Fund 0470-513</u></b>		
Cash Receipts:		
Estate Taxes	\$4,797,239.04	\$9,301,245.76
Disbursements:		
Transfers to State General Revenue Fund	<u>4,797,239.04</u>	<u>9,301,245.76</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b><u>Tax Division Fund - Corporate Charter Tax - Fund 0470-519</u></b>		
Cash Receipts:		
Corporate Charter Taxes	\$6,690,261.07	\$ 5,953,279.69
Disbursements:		
Transfers to State General Revenue Fund	<u>6,690,261.07</u>	<u>5,953,279.69</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Business Franchise Registration Fee – Fund 0470-521</u></b>		
Cash Receipts:		
Business Franchise Registration Fees	\$1,953,552.42	\$1,630,825.37
Disbursements:		
Transfers to State General Revenue Fund	<u>1,953,552.42</u>	<u>1,630,825.37</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b><u>Tax Division Fund - Drug Paraphernalia Tax - Fund 0470-542</u></b>		
Cash Receipts:		
Drug Paraphernalia Taxes	\$ 1,081.07	\$ 650.00
Disbursements:		
Transfers to State General Revenue Fund	<u>1,081.07</u>	<u>650.00</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Fines and Penalties - Fund 0470-584</u></b>		
Cash Receipts:		
Fines and Penalties	\$ 8,791.46	\$ 22,531.84
Disbursements:		
Transfers to State General Revenue Fund	<u>8,791.46</u>	<u>22,531.84</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**Tax Division Fund - Smokeless Tobacco Tax -  
Fund 0470-596**

Cash Receipts:		
Smokeless Tobacco Taxes	\$4,758,871.67	\$4,731,792.51
Disbursements:		
Transfers to State General Revenue Fund	<u>4,758,871.67</u>	<u>4,731,792.51</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

GENERAL REVENUE

Year Ended June 30,  
2005                      2004

**Jobs Growth Tax Relief Reconciliation Act 2003**  
**Transfer Fund - Fund 0472-553**

Cash Receipts:		
Statutory Transfers	\$       0.00	\$28,075,000.00
Disbursements:		
Transfers to State General Revenue Fund	<u>          0.00</u>	<u>  28,075,000.00</u>
	0.00	0.00
Beginning Balance	<u>          0.00</u>	<u>          0.00</u>
Ending Balance	<u>\$          0.00</u>	<u>\$          0.00</u>

**Refundable Credit Reimbursement -**  
**Lottery Transfer Fund - Fund 0473-553**

Cash Receipts:		
Statutory Transfers	\$3,804,119.00	\$ 2,873,291.00
Disbursements:		
Transfers to State General Revenue Fund	<u>  3,804,119.00</u>	<u>  2,873,291.00</u>
	0.00	0.00
Beginning Balance	<u>          0.00</u>	<u>          0.00</u>
Ending Balance	<u>\$          0.00</u>	<u>\$          0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Cemetery Company Registration - Personal Services -</u></b>		
<b><u>Fund 7071 - 001</u></b>		
Appropriations	\$17,274.00	\$17,274.00
Expenditures	<u>11,250.00</u>	<u>11,250.00</u>
	6,024.00	6,024.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 6,024.00</u>	<u>\$ 6,024.00</u>
<b><u>Cemetery Company Registration - Annual Increment -</u></b>		
<b><u>Fund 7071 - 004</u></b>		
Appropriations	\$ 150.00	\$ 125.00
Expenditures	<u>150.00</u>	<u>125.00</u>
	0.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Cemetery Company Registration - Employee Benefits -</u></b>		
<b><u>Fund 7071 - 010</u></b>		
Appropriations	\$5,870.00	\$ 5,384.00
Expenditures:		
Employee Benefits	<u>4,610.59</u>	<u>4,543.47</u>
	1,259.41	840.53
Transmittals Paid After June 30	<u>24.20</u>	<u>19.41</u>
Balance	<u>\$1,283.61</u>	<u>\$ 859.94</u>
<b><u>Cemetery Company Registration - Unclassified -</u></b>		
<b><u>Fund 7071 - 099</u></b>		
Appropriations	\$9,633.00	\$10,144.00
Expenditures:		
Current Expenses	<u>2,834.20</u>	<u>3,277.80</u>
	6,798.80	6,866.20
Transmittals Paid After June 30	<u>103.90</u>	<u>0.00</u>
Balance	<u>\$6,902.70</u>	<u>\$ 6,866.20</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

CASH CONTROL - FUND 7071

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Beginning Balance:		
State Treasury	\$52,559.08	\$52,695.06
Cash Receipts:		
Other Collections, Fees, Licenses and Income	<u>19,600.00</u>	<u>19,100.00</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$72,159.08</u>	<u>\$71,795.06</u>
Disbursements:		
Personal Services	\$11,250.00	\$11,250.00
Annual Increment	150.00	125.00
Employee Benefits	4,610.59	4,543.47
Current Expenses	<u>2,834.20</u>	<u>3,277.80</u>
	18,844.79	19,196.27
Add Transmittals Paid July 1 - 31		
Beginning; and (Less) Transmittals Paid July 1 - 31 Ending:		
Employee Benefits	19.41	55.12
(Employee Benefits)	(24.20)	(19.41)
Current Expenses	<u>(103.90)</u>	<u>4.00</u>
	<u>(108.69)</u>	<u>39.71</u>
	18,736.10	19,235.98
Ending Balance:		
State Treasury	<u>53,422.98</u>	<u>52,559.08</u>
TOTAL CASH ACCOUNTED FOR	<u>\$72,159.08</u>	<u>\$71,795.06</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Special Audit and Investigative Unit - Personal Services -</u></b>		
<b><u>Fund 7073 - 001</u></b>		
Appropriations	\$830,304.00	\$830,304.00
Expenditures:		
Personal Services	602,625.76	725,363.46
Employee Benefits	<u>0.00</u>	<u>4,096.83</u>
	<u>602,625.76</u>	<u>729,460.29</u>
	227,678.24	100,843.71
Transmittals Paid After June 30	<u>0.00</u>	<u>1,221.49</u>
Balance	<u>\$227,678.24</u>	<u>\$102,065.20</u>
<b><u>Special Audit and Investigative Unit - Annual Increment -</u></b>		
<b><u>Fund 7073 - 004</u></b>		
Appropriations	\$ 17,500.00	\$ 16,000.00
Expenditures	<u>14,806.77</u>	<u>14,000.00</u>
	2,693.23	2,000.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 2,693.23</u>	<u>\$ 2,000.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

**STATE TAX DEPARTMENT**  
**STATEMENTS OF APPROPRIATIONS AND EXPENDITURES**  
**SPECIAL REVENUE**

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Special Audit and Investigative Unit - Employee Benefits - Fund 7073 - 010</u></b>		
Appropriations	\$308,900.00	\$270,407.00
Expenditures:		
Employee Benefits	220,541.93	263,325.00
Public Employees' Insurance Reserve Transfer	<u>6,383.00</u>	<u>7,082.00</u>
	<u>226,924.93</u>	<u>270,407.00</u>
	81,975.07	0.00
Transmittals Paid After June 30	<u>3,153.08</u>	<u>0.00</u>
Balance	<u>\$ 85,128.15</u>	<u>\$ 0.00</u>
<b><u>Special Audit and Investigative Unit - Unclassified - Fund 7073 - 099</u></b>		
Appropriations	\$322,186.00	\$362,179.00
Expenditures:		
Current Expenses	315,797.75	145,967.26
Repairs and Alterations	767.40	1,700.30
Assets	<u>5,620.85</u>	<u>3,032.60</u>
	<u>322,186.00</u>	<u>150,700.16</u>
	0.00	211,478.84
Transmittals Paid After June 30	<u>7,809.14</u>	<u>10,492.30</u>
Balance	<u>\$ 7,809.14</u>	<u>\$221,971.14</u>

**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

**CASH CONTROL - FUND 7073**

	<b><u>Year Ended June 30,</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Beginning Balance:		
State Treasury	\$ 129,025.56	\$ 63,013.45
Cash Receipts:		
Other Registration Fees	<u>1,190,886.37</u>	<u>1,237,712.67</u>
<b>TOTAL CASH TO ACCOUNT FOR</b>	<b><u>\$1,319,911.93</u></b>	<b><u>\$1,300,726.12</u></b>
Disbursements:		
Personal Services	\$ 602,625.76	\$ 725,363.46
Annual Increment	14,806.77	14,000.00
Employee Benefits	220,541.93	267,421.83
Current Expenses	315,797.75	145,967.26
Repairs and Alterations	767.40	1,700.30
Assets	5,620.85	3,032.60
Transfer of Funds	<u>6,383.00</u>	<u>7,082.00</u>
	1,166,543.46	1,164,567.45
Add Transmittals Paid July 1 - 31		
Beginning; and (Less) Transmittals Paid July 1 - 31 Ending:		
Employee Benefits	1,221.49	956.05
(Employee Benefits)	(3,153.08)	(1,221.49)
Current Expenses	10,339.30	16,221.22
(Current Expenses)	(7,725.66)	(10,339.30)
Repairs and Alterations	73.50	50.63
(Repairs and Alterations)	0.00	(73.50)
Assets	79.50	1,619.00
(Assets)	<u>(83.48)</u>	<u>(79.50)</u>
	<u>751.57</u>	<u>7,133.11</u>
	1,167,295.03	1,171,700.56
Ending Balance:		
State Treasury	<u>152,616.90</u>	<u>129,025.56</u>
<b>TOTAL CASH ACCOUNTED FOR</b>	<b><u>\$1,319,911.93</u></b>	<b><u>\$1,300,726.12</u></b>

**WEST VIRGINIA DEPARTMENT OF REVENUE**  
**STATE TAX DEPARTMENT**  
**STATEMENT OF APPROPRIATIONS AND EXPENDITURES**  
**FEDERAL FUNDS**

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Unclassified Total - Fund 7069 - 096</u></b>		
Appropriations	\$25,000.00	\$25,000.00
Expenditures:		
Current Expenses	2,418.13	7,653.95
Assets	0.00	1,102.00
Debt Service (Leases - Principal)	875.03	2,506.10
Debt Service (Leases - Interest)	<u>41.65</u>	<u>243.94</u>
	<u>3,334.81</u>	<u>11,505.99</u>
	21,665.19	13,494.01
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$21,665.19</u>	<u>\$13,494.01</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

CASH CONTROL - FUND 7069

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Beginning Balance:		
State Treasury	\$ 0.00	\$ 9,075.00
Cash Receipts:		
Transportation, Department of	<u>3,334.81</u>	<u>11,505.99</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$3,334.81</u>	<u>\$20,580.99</u>
Disbursements:		
Current Expenses	\$2,418.13	\$ 7,653.95
Assets	0.00	1,102.00
Debt Service (Leases - Principal)	875.03	2,506.10
Debt Service (Leases - Interest)	<u>41.65</u>	<u>243.94</u>
	3,334.81	11,505.99
Add Transmittals Paid July 1 - 31		
Beginning; and (Less) Transmittals		
Paid July 1 - 31 Ending:		
Assets	<u>0.00</u>	<u>9,075.00</u>
	3,334.81	20,580.99
Ending Balance:		
State Treasury	<u>0.00</u>	<u>0.00</u>
TOTAL CASH ACCOUNTED FOR	<u>\$3,334.81</u>	<u>\$20,580.99</u>

**WEST VIRGINIA DEPARTMENT OF REVENUE**  
**STATE TAX DEPARTMENT**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCE**  
**SPECIAL REVENUE**

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Administration Fund- Fund 7050 - 099</u></b>		
Cash Receipts		
Other Collections, Fees, Licenses and Income	\$35,000.00	\$35,000.00
Disbursements:		
Personal Services	24,408.00	24,408.00
Annual Increment	1,000.00	950.00
Employee Benefits	9,733.34	9,592.75
Current Expenses	1,135.25	1,922.69
Assets	0.00	153.90
Public Employees' Insurance Reserve Transfer	<u>244.00</u>	<u>244.00</u>
	<u>36,520.59</u>	<u>37,271.34</u>
Cash Receipts (Under) Disbursements	(1,520.59)	(2,271.34)
Beginning Balance	<u>61,353.00</u>	<u>63,624.34</u>
Ending Balance	<u>\$59,832.41</u>	<u>\$61,353.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND

CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Oil &amp; Gas County Revenue Fund</u></b>		
Cash Receipts:		
Severance Taxes	\$ 35,000.00	\$ 70,000.00
Disbursements:		
Personal Services	20,628.00	19,503.00
Annual Increment	200.00	150.00
Employee Benefits	11,713.46	11,253.20
Current Expenses	0.00	1,060.48
Assets	0.00	153.90
Public Employees' Insurance Reserve Transfer	<u>206.00</u>	<u>206.00</u>
	<u>32,747.46</u>	<u>32,326.58</u>
Cash Receipts Over Disbursements		37,673.42
Beginning Balance	<u>137,077.00</u>	<u>99,403.58</u>
Ending Balance	<u>\$139,329.54</u>	<u>\$137,077.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND

CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - County Tax Fund - Fund 7053 - 099</u></b>		
Cash Receipts:		
Other Collections, Fees, Licenses and Income	\$2,837,359.78	\$2,549,968.16
Disbursements:		
Personal Services	197,127.79	188,970.30
Annual Increment	3,275.06	2,350.00
Employee Benefits	62,604.25	72,915.36
Current Expenses	2,028,228.26	2,120,226.57
Assets	73,001.52	73,001.52
Other Disbursements	127,228.56	278,873.09
Public Employees' Insurance Reserve Transfer	<u>1,902.00</u>	<u>1,839.00</u>
	<u>2,493,367.44</u>	<u>2,738,175.84</u>
Cash Receipts Over/(Under) Disbursements	343,992.34	(188,207.68)
Beginning Balance	<u>248,629.92</u>	<u>436,837.60</u>
Ending Balance	<u>\$ 592,622.26</u>	<u>\$ 248,629.92</u>

**WEST VIRGINIA DEPARTMENT OF REVENUE**  
**STATE TAX DEPARTMENT**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCE**  
**SPECIAL REVENUE**

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Inheritance Tax Administrative</u></b>		
<b><u>HB445 Fund - Fund 7054 - 099</u></b>		
Cash Receipts:		
Other Collections, Fees, Licenses and Income	\$17,660.00	\$16,105.00
Disbursements:		
Current Expenses	17,075.91	6,012.98
Repairs and Alterations	0.00	120.00
Assets	0.00	414.20
Refunds	<u>0.00</u>	<u>15.00</u>
	<u>17,075.91</u>	<u>6,562.18</u>
Cash Receipts Over Disbursements	584.09	9,542.82
Beginning Balance	<u>60,918.00</u>	<u>51,375.18</u>
Ending Balance	<u>\$61,502.09</u>	<u>\$60,918.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS AND

CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - County Assessors Loan Fund</u></b>		
Cash Receipts:		
Other Collections, Fees, Licenses and Income	\$52,914.48	\$63,556.13
Disbursements:		
Other Disbursements	52,750.21	63,556.13
Refunds	<u>164.27</u>	<u>0.00</u>
	<u>52,414.48</u>	<u>63,556.13</u>
Cash Receipts Over Disbursements	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b><u>Tax Division Fund - Surface Mining Reclamation Fund</u></b>		
Cash Receipts:	\$ 0.00	\$ 0.00
Disbursements	<u>0.00</u>	<u>0.00</u>
Cash Receipts Over Disbursements	0.00	0.00
Beginning Balance	<u>4,887.21</u>	<u>4,887.21</u>
Ending Balance	<u>\$ 4,887.21</u>	<u>\$ 4,887.21</u>

**WEST VIRGINIA DEPARTMENT OF REVENUE**  
**STATE TAX DEPARTMENT**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCE**  
**SPECIAL REVENUE**

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Transient Vendor Fund</u></b>		
<b><u>Fund 7059 - 099</u></b>		
Cash Receipts:		
Other Collections, Fees, Licenses and Income	\$ 6,000.00	\$ 8,000.00
Disbursements:		
Refunds	<u>1,500.00</u>	<u>4,000.00</u>
Cash Receipts Over Disbursements	4,500.00	4000.00
Beginning Balance	<u>70,090.00</u>	<u>66090.00</u>
Ending Balance	<u>\$74,590.00</u>	<u>\$70,090.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS AND

CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Sales of Tax Maps Fund</u></b>		
<b><u>Fund 7064 - 099</u></b>		
Cash Receipts:		
Sales - Other	\$30,990.00	\$28,345.00
Other Collections, Fees, Licenses and Income	<u>42,812.50</u>	<u>48,224.00</u>
	73,802.50	76,569.00
Disbursements:		
Personal Services	13,475.00	15,380.00
Annual Increment	1,500.00	1,300.00
Employee Benefits	6,620.69	6,764.31
Current Expenses	10,264.66	5,914.48
Assets	0.00	11,817.00
Tax Mapping	29,413.00	42,390.00
Public Employees' Insurance Reserve Transfer	<u>167.00</u>	<u>390.00</u>
	<u>61,440.35</u>	<u>83,955.79</u>
Cash Receipts Over/(Under) Disbursements	12,362.15	(7,386.79)
Beginning Balance	<u>63,596.77</u>	<u>70,983.56</u>
Ending Balance	<u>\$75,958.92</u>	<u>\$63,596.77</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS AND

CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Tax Collection Agency Clearing Fund</u></b>		
<b><u>Fund 7066 - 099</u></b>		
Cash Receipts:		
Other Collections, Fees, Licenses and Income	\$81,198.68	\$120,113.89
Disbursements:		
Current Expenses	<u>73,105.49</u>	<u>133,161.20</u>
Cash Receipts Over/(Under) Disbursements	8,093.19	(13,047.31)
Beginning Balance	<u>7,233.94</u>	<u>20,281.25</u>
Ending Balance	<u>\$15,327.13</u>	<u>\$ 7,233.94</u>
<b><u>Tax Division Fund - Administration of Seized Wells Fund</u></b>		
<b><u>Fund 7068 - 418</u></b>		
Cash Receipts:	\$ 0.00	\$ 0.00
Disbursements	<u>0.00</u>	<u>0.00</u>
Cash Receipts Over Disbursements	0.00	0.00
Beginning Balance	<u>1,029.07</u>	<u>1,029.07</u>
Ending Balance	<u>\$ 1,029.07</u>	<u>\$ 1,029.07</u>

**WEST VIRGINIA DEPARTMENT OF REVENUE**  
**STATE TAX DEPARTMENT**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCE**  
**SPECIAL REVENUE**

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Medicaid State Share</u></b>		
<b><u>Administration Fund - Fund 7072 - 099</u></b>		
Cash Receipts:		
Statutory Transfers	\$200,000.00	\$200,000.00
Disbursements:		
Personal Services	112,097.90	124,433.42
Annual Increment	1,750.00	1,875.00
Employee Benefits	53,391.07	45,819.19
Current Expenses	1,391.20	949.25
Assets	0.00	106.40
Public Employees' Insurance Reserve Transfer	<u>1,177.00</u>	<u>1,404.00</u>
	<u>169,807.17</u>	<u>174,587.26</u>
Cash Receipts Over Disbursements	30,192.83	25,412.74
Beginning Balance	<u>119,736.30</u>	<u>94,323.56</u>
Ending Balance	<u>\$149,929.13</u>	<u>\$119,736.30</u>

**WEST VIRGINIA DEPARTMENT OF REVENUE**  
**STATE TAX DEPARTMENT**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCE**  
**SPECIAL REVENUE**

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - International Fuel Tax Agreement</u></b>		
<b><u>Clearing Fund - Fund 7075 - 099</u></b>		
Cash Receipts:		
International Fuel Tax	\$3,608,851.00	\$4,378,626.60
Disbursements:		
Refunds	<u>4,032,750.97</u>	<u>3,533,426.37</u>
Cash Receipts (Under)/Over Disbursements	(423,899.97)	845,200.23
Beginning Balance	<u>2,537,200.31</u>	<u>1,692,000.08</u>
Ending Balance	<u>\$2,113,300.34</u>	<u>\$2,537,200.31</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS AND

CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Solid Waste Fee Clearing Fund</u></b>		
<b><u>Fund 7077- 640</u></b>		
Cash Receipts:		
Solid Waste Assessment Fees	\$ 482,358.57	\$ 0.00
Disbursements:		
Refunds	<u>20,987.34</u>	<u>346,652.63</u>
Cash Receipts Over/(Under) Disbursements	461,371.23	(346,652.63)
Beginning Balance	<u>857,109.28</u>	<u>1,203,761.91</u>
Ending Balance	<u>\$1,318,480.51</u>	<u>\$ 857,109.28</u>
<b><u>Tax Division Fund - Tax Department Insurance Proceeds</u></b>		
Cash Receipts:		
Other Collections, Fees, Licenses and Income	\$ 499.52	\$ 0.00
Disbursements	<u>0.00</u>	<u>0.00</u>
Cash Receipts Over Disbursements	499.52	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 499.52</u>	<u>\$ 0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND

CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Tax Division Lottery Fund</u></b>		
<b><u>Fund 7082 - 054</u></b>		
Cash Receipts:		
Statutory Transfers	\$200,000.00	\$0.00
Disbursements:		
Current Expenses	7,127.07	0.00
Repairs and Alterations	<u>191.40</u>	<u>0.00</u>
	<u>7,318.47</u>	<u>0.00</u>
Cash Receipts Over Disbursements	192,681.53	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$192,681.53</u>	<u>\$0.00</u>

WEST VIRGINIA DEPARTMENT OF REVENUE

STATE TAX DEPARTMENT

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND

CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b>Tax Division Fund - Motor Fuel General Tax</b>		
<b><u>Administration Fund - Fund 7083 - 099</u></b>		
Cash Receipts:		
Other Taxes	\$1,568,675.14	\$810,240.00
Disbursements:		
Personal Services	698,498.14	140,092.06
Annual Increment	16,968.42	0.00
Employee Benefits	283,023.71	54,089.25
Current Expenses	351,559.99	140,015.26
Repairs and Alterations	200.28	65.00
Debt Service (Leases - Principal)	1,497.69	287.82
Debt Service (Leases - Interest)	30.11	17.74
Public Employees' Insurance Reserve Transfer	<u>7,147.00</u>	<u>0.00</u>
	<u>1,358,925.34</u>	<u>334,567.13</u>
Cash Receipts Over Disbursements	209,749.80	475,672.87
Beginning Balance	<u>475,672.87</u>	<u>0.00</u>
Ending Balance	<u>\$ 685,422.67</u>	<u>\$475,672.87</u>

**WEST VIRGINIA DEPARTMENT OF REVENUE**

**STATE TAX DEPARTMENT**

**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS AND**

**CHANGES IN CASH BALANCE**

**SPECIAL REVENUE**

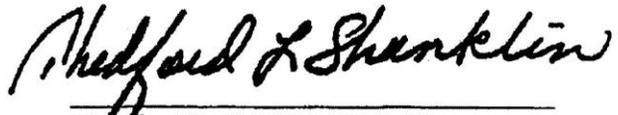
	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
<b><u>Tax Division Fund - Tax Amnesty Fund</u></b>		
<b><u>Fund 7084 - 640</u></b>		
Cash Receipts:		
Other Collections, Fees, Licenses and Income	\$ 19,287.23	\$ 0.00
Disbursements	0.00	0.00
Cash Receipts Over Disbursements	19,287.23	0.00
Beginning Balance	0.00	0.00
Ending Balance	\$ 19,287.23	\$ 0.00
 <b><u>Tax Division Fund - Gasoline Tax Division Fund</u></b>		
Cash Receipts:		
Motor Fuel Excise Tax	\$311,611,200.37	\$272,353,553.91
Motor Carrier Registration Road Tax	13,478.20	44,383.36
Use Tax (Wholesale Tax) - Highways	0.00	1,484,366.86
Consumer Sales Tax - Fuel (Wholesale Tax)	0.00	35,435,323.16
	311,624,678.57	309,317,627.29
Disbursements	1,293,851.16	1,584,220.94
Cash Receipts Over Disbursements	310,330,827.41	307,733,406.35
Beginning Balance	0.00	0.00
Ending Balance	\$310,330,827.41	\$307,733,406.35

**STATE OF WEST VIRGINIA**

**OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:**

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report 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 12th day of June, 2006.



Thedford L. Shanklin, CPA, Director  
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the Department of Revenue; State Tax Department; Governor; Attorney General; State Auditor; and, Director of Finance, Department of Administration.