

STATE OF WEST VIRGINIA  
POST AUDIT

WEST VIRGINIA STATE BOARD OF RISK  
AND  
INSURANCE MANAGEMENT

ARNETT & FOSTER, CPA's  
1000 Laidley Tower  
500 Lee Street, East  
Charleston, West Virginia

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WEST VIRGINIA STATE BOARD OF RISK  
AND  
INSURANCE MANAGEMENT

EXECUTIVE MANAGEMENT AND ADMINISTRATIVE OFFICERS

Lawrence E. Hite .....	Chairman of the Board (Term Expires June 30, 1993)
Ralph R. Wallace .....	Vice Chairman of the Board (Term Expired June 30, 1991)
Robert H. Martin .....	Board Member (Term Expires June 30, 1994)
Harley Clark .....	Secretary - Ex Officio (West Virginia Insurance Commissioner: Member by Virtue of Office)
Robert S. Corey .....	Risk Manager
Mark E. McCallister .....	Comptroller



WEST VIRGINIA STATE BOARD OF RISK  
AND  
INSURANCE MANAGEMENT

JOINT COMMITTEE MEMBER'S SUMMARY

West Virginia Legislature Joint Committee  
on Government and Finance  
Legislative Auditor  
Room 441, Main Unit  
State Capitol  
Charleston, West Virginia

We have performed a post audit of the West Virginia Board of Risk and Insurance Management as defined under Chapter Four, Article Two, Section Two of the West Virginia Code. Our audit covered the fiscal year ended June 30, 1990 and the ten month period ended April 30, 1991.

Introduction to and Background of the Spending Unit

The State Board of Risk and Insurance Management (the Board) was established in 1957 as the State Board of Insurance, responsible for the procurement of the State's property insurance, liability insurance, and fidelity bonds. Prior to 1971, each spending agency was responsible for payment of its own insurance premiums. In most cases, separate policies were issued for each agency. The cost of the policies were included in each agency's budget and the actual payment was made directly to the insurance agency, with the approval of the State Board of Insurance. Effective January 1, 1971, the insurance coverages were consolidated under blanket policies that covered all spending units of the State and funding of the program was shifted from the spending units to a direct appropriation to the Board.

The State Board of Insurance was reestablished under Chapter 65, Acts of the Legislature, in 1980, which changed the name from State Board of Insurance to the State Board of Risk and Insurance Management. The Board is composed of three members appointed by the Governor, with the advice and consent of the Senate. These appointments are for a term of four years and each member receives the sum of forty dollars per day for each day's services actually performed for such Board, as well as all necessary expenses incurred in the performance of their duties, not exceeding 100 days in any one calendar year. The Insurance Commissioner serves as Secretary of the Board without vote.

The powers and duties of the Board include, (1) the general supervision and control over the insurance of all State property, activities, and responsibilities, including the acquisition and cancellation thereof, (2) the determination of amount and kind of coverage included but not limited to deductible forms of insurance

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coverage and, (3) the power of inspections or examinations relating thereto, reinsurance, and any and all matters, factors and considerations entering into negotiations for advantageous rates on and coverage of all such State property, activities, and responsibilities.

In 1980, the Board was given the additional responsibility of providing liability insurance for the 55 County Boards of Education, their officials and employees. In 1982, Legislation was enacted requiring the Board to establish and administer a Coal Mine Subsidence Insurance Fund. Chapter 33, Article 30 of the West Virginia Code made available to the general public dwelling insurance covering damage caused by the collapse of underground coal mines.

On May 22, 1986, the Legislature passed Senate Bill No. 3 which authorized the Board to provide property and liability insurance to political subdivisions and non-profit corporations.

On March 7, 1990, the Legislature passed Senate Bill No. 608 which authorized the Division of Natural Resources to provide for insurance against hazards from underground storage tanks. The State Board of Risk administers the insurance program on behalf of the Division of Natural Resources.

#### Summary of Audit Reports

We have audited the financial statements of the West Virginia State Board of Risk and Insurance Management as of and for the year ended June 30, 1990, and as of and for the ten months ended April 30, 1991. Our report on the financial statements for the year ended June 30, 1990 and the ten months ended April 30, 1991 is dated September 17, 1991, and is presented on Page 21. Our report on these financial statements is unqualified. We conducted our audits in accordance with generally accepted auditing standards and specific instructions received from the Legislative Post Audit Division. Those standards and instructions require that we plan and perform the audit to obtain reasonable assurance about whether the aforementioned financial statements are free of material misstatement, and to determine if significant instances of non-compliance with the West Virginia Code existed for the period audited. Our report on compliance with applicable laws and regulations is presented on Pages 7-17. In planning and performing the post audit of the West Virginia State Board of Risk and Insurance Management for the ten months ended April 30, 1991 and the fiscal year ended June 30, 1990, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. The reportable conditions we observed were instances of inadequate separation of duties; instances of incomplete or non-existent supporting documents and records supporting premium cash receipts, and instances where prudent control procedures were developed but not properly utilized in the area of premium cash receipts. Our report on the internal control structure is presented on Pages 18-20.

#### Summary of Compliance Findings

The following is a brief summary of compliance findings resulting from the performance of the post audits. For further discussion of the compliance findings, see Pages 7 through 17 of this report.

## Improper Subsidization of Insurance Premiums of Prior Fiscal Years

### 1. Finding

Though we observed no improper subsidization of insurance premiums for the audit period of July 1, 1989 through April 30, 1991, the prior post audit performed by the Legislative Auditor's Office, Post Audit Division, revealed that \$2,352,442.00 was owed to the Public Entity Insurance Fund from either the State General Revenue Fund or State Agency Special Revenue Funds for improper subsidization of insurance premiums previously paid to the State's insurance provider. This condition violated Chapter Twenty-Nine, Article Twelve, Section Five, Sub-Section (b) of the West Virginia Code. The Board filed a request for a supplemental appropriation of State General Revenue funds on December 11, 1990, with the Budget Section of the Division of Finance of the Department of Administration to repay the Public Entity Insurance Fund. The request was not, however, acknowledged.

Additionally, the Board did not bill State Agencies for the improper subsidization of the past years' insurance premiums during the audit period as the Board management was of the opinion that such repayment was an obligation of the West Virginia State General Revenue Fund (See Pages 8-11 of the Report on Compliance with Applicable Laws and Regulations).

#### Recommendation

We recommend the Board comply with Chapter Twenty-Nine, Article Twelve, Section Five, Subsection (b) of the West Virginia Code.

## Maintenance of Adequate Documents and Records

### 2. Finding

During the performance of the audit we observed that the Board did not always develop or maintain supporting documentation evidencing the amounts of premiums billed to the participating entities in the Board's insurance programs, and that even though subsidiary records of premium cash receipts were maintained, they were not reconciled with the Board's controlling accounting records. These conditions appeared to violate Chapter Five (A), Article Eight, Section Nine of the West Virginia Code (See Pages 11-12 of the Report on Compliance with Applicable Laws and Regulations).

#### Recommendation

We recommend the Board comply with Chapter Five (A), Article Eight, Section Nine of the West Virginia Code.

## Record Retention

### 3. Finding

The Board's personnel destroyed source documentation supporting premium cash receipts and leave taken by employees without obtaining the authorization required by Chapter Five (A), Article Eight, Section Seventeen of the West Virginia Code (See Pages 12-13 of the Report on Compliance with Applicable Laws and Regulations).

### Recommendation

We recommend the Board comply with Chapter Five (A), Article Eight, Section Seventeen of the West Virginia Code.

### Leave Records

#### 4. Finding

Because of the destruction of the leave records disclosed in the previous finding, we were not able to determine if appropriate supporting information was adequate to certify to the State Auditor that funds were needed for the payment of leave taken and earned as required by Chapter Twelve, Article Three, Section Nine of the West Virginia Code (See Page 13 of the Report on Compliance with Applicable Laws and Regulations).

### Recommendation

We recommend the Board comply with Chapter Twelve, Article Three, Section Nine of the West Virginia Code.

### Deposit of Insurance Premiums with the State Treasury

#### 5. Finding

Because of the destruction of source documentation supporting premium cash receipts disclosed above and because the Board's fiscal personnel did not maintain any supporting source documentation evidencing the date premiums were received by the Board, we were not able to determine if premium cash receipts were deposited by the Board with the State Treasury within the 24 hour period required by Chapter Twelve, Article Two, Section Two of the West Virginia Code (see Page 14 of the Report on Compliance with Applicable Laws and Regulations).

### Recommendation

We recommend the Board comply with Chapter Twelve, Article Two, Section Two of the West Virginia Code.

### Board Members Per Diem Certification

#### 6. Finding

Board members did not utilize certification forms to evidence the number of days for which they were to be compensated. Consequently, we were not able to determine if the Board was in compliance with Chapter Twenty-Nine, Article Twelve, Section Three, Paragraph (c) of the West Virginia Code. This condition was observed in a previous post audit of the Board (See Pages 14-15 of the Report on Compliance with Applicable Laws and Regulations).

### Recommendation

We recommend the Board comply with Chapter Twenty-nine, Article Twelve, Section Three of the West Virginia Code.

Withholding of Employee Social Security Contributions7. Finding

Our testing of payroll expenditures revealed two instances of inappropriate withholding of employee Social Security contributions. These conditions appeared to violate Chapter Five, Article Seven, Section Four of the West Virginia Code (See Page 15 of the Report on Compliance with Applicable Laws and Regulations).

Recommendation

We recommend the Board comply with Chapter Five, Article Seven, Section Four of the West Virginia Code.

Withholding Authorizations for Voluntary Deductions8. Finding

Our testing of payroll expenditures revealed two instances where employee personnel files did not contain the requisite authorizing documentation to support voluntary withholdings from the employees' compensation as required by Chapter Twelve, Article Three, Section Thirteen (B) of the West Virginia Code. (See Pages 15-16 of the Report on Compliance with Applicable Laws and Regulations).

Recommendation

We recommend the Board comply with Chapter Twelve, Article Three, Section Thirteen (B) of the West Virginia Code.

Inventory Reports9. Finding

The Board has not submitted an annual inventory report as required by Chapter Five (A), Article Three, Section Thirty-Five of the West Virginia Code since July of 1987 (See Pages 16-17 of the Report on Compliance with Applicable Laws and Regulations).

Recommendation

We recommend the Board comply with Chapter Five (A), Article Three, Section Thirty-five of the West Virginia Code.

Exit Conference

We held an exit conference on September 24, 1991 with the management of the West Virginia State Board of Risk and Insurance Management and all findings and recommendations were reviewed and discussed.

*Arnett & Joster*

September 17, 1991



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
APPLICABLE LAWS AND REGULATIONS

West Virginia Legislature Joint Committee  
on Government and Finance  
Legislative Auditor  
Room 441, Main Unit  
State Capitol  
Charleston, West Virginia

We have audited the financial statements of the West Virginia State Board of Risk and Insurance Management for the year ended June 30, 1990, and the ten month period ended April 30, 1991 and have issued our report thereon dated September 17, 1991. We conducted our audits in accordance with generally accepted auditing standards and specific instructions received from the Legislative Post Audit Division. Those standards and instructions require that we plan and perform the audit to obtain reasonable assurance about whether the aforementioned financial statements are free of material misstatement and to determine if significant instances of noncompliance with the West Virginia Code existed for the periods audited.

Compliance with the laws, regulations, contracts and grants applicable to the West Virginia State Board of Risk and Insurance Management (the Board) is the responsibility of the Board's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Board's compliance with provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Our testing of compliance included, but was not limited to, testing compliance with the following rules, regulations and provisions of the West Virginia Code:

- Article 12, Chapter 29
- Article 30, Chapter 33
- Article 11, Chapter 4
- Section 4, Article 7, Chapter 5
- Sections 9 and 17, Article 8, Chapter 5
- Section 29, Article 10, Chapter 5
- Section 12, Article 16, Chapter 5
- Articles 2 and 3, Chapter 5(a)
- Section 2(a), Article 7, Chapter 6
- Sections 71, 72, 75 and 76, Article 21, Chapter 11
- Articles 2 and 3, Chapter 12
- Articles 1 and 2, Chapter 14

- Section 5, Article 5(c), Chapter 21
- Legislative Rules and Regulations promulgated by the West Virginia Division of Labor
- Section 5, Article 5, Chapter 21(a)
- Section 8, Article 8(a), Chapter 21(a)
- Section 5, Article 2, Chapter 23
- All Legislative rules promulgated in accordance with Article 3, Chapter 29(a)
- West Virginia Civil Service

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions contained in statutes, regulations, contracts or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our test of compliance disclosed the following material and immaterial instances of noncompliance.

#### Improper Subsidization of Insurance Premium of Prior Fiscal Years

##### 1. Finding

Though we observed no improper subsidization of insurance premiums for the audit period of July 1, 1989 through April 30, 1991, the following condition which is quoted in its entirety was disclosed in the prior post audit report of the Legislative Auditor's Office:

"Chapter 29, Article 12, Section 5, Subsection (b) of the West Virginia Code, as amended, states in part regarding insurance for political subdivisions, charitable and public service organizations,

' . . . the cost of this insurance, as determined by the Board, shall be paid by the political subdivision or the organization and may include administrative expenses. All funds received by the Board shall be deposited in the West Virginia consolidated investment pool with the interest income a proper credit to such property insurance trust fund or liability insurance trust fund, as applicable . . .'

Further, Chapter 12, Article 2, Section 2, of the West Virginia Code, as amended, States in part regarding the use of special revenue collections,

' . . . All moneys excepted as aforesaid, shall be paid into the State treasury in the same manner as collections not so excepted, and shall be carried in separate accounts to be used and expended only for the purposes for which the same are authorized to be collected by law . . .'

During our examination of premium payments for insurance coverages paid to CNA, the State's insurance provider, we noted the Board utilized \$3,252,442.00 remitted by political subdivisions and other participants in the Public Entities Insurance Program to supplement the portion of the premiums, which should have been paid by the Board from appropriations made from the State General Revenue Fund. Subsequently, \$900,000.00 was repaid to the Public Entities Accounts, leaving \$2,352,442.00 to be repaid from General Revenue Funds. Also, we believe a \$2,000,000.00 settlement with CNA, in regard to claims resulting from the November 1985 flood disaster, was used to pay insurance premiums which should have paid from appropriations made from the State General Revenue Fund. Our findings are elaborated in the following paragraphs.

CNA provided the General Liability Insurance, the Automobile Liability Insurance and the Blanket Property Aggregate Insurance for covered State agencies and other entities who were participants in the Public Entities Insurance Program as authorized by Senate Bill No. 3 in 1986. The premium charges were to be shared based on a rational allocation basis as determined by the Board.

In fiscal year 1988, the premiums for General Liability Insurance and Automobile Liability Insurance were \$5,680,000.00 and \$2,320,000.00, respectively, or a total of \$8,000,000.00. The premiums were to be paid quarterly in installments of \$2,000,000.00 with equal sharing of the premium charge between State Funds and public entity monies. In fiscal year 1989, the premium for General Liability Insurance and Automobile Liability Insurance was \$10,000,000.00. The premium was to be paid quarterly in installments of \$2,500,000.00 with 60% of the premium paid from public entity monies and 40% of the premium or \$1,000,000.00 paid from State funds. In addition, other billings related to retroactive payments on prior-period claims and premiums for the Railroad Protective Policy should have been paid entirely from State funds.

The schedule below shows a calculation of the State's portion of the insurance premiums paid by the use of public entity monies for the third and fourth quarters of fiscal year 1988 and first quarter of fiscal year 1989.

<u>Period</u>	<u>Commercial Casualty Policy (CCP001- 57-87-06)</u>	<u>Business Auto Policy (BUA001- 59-87-09)</u>	<u>Retro Claims</u>	<u>Railroad Policy</u>	<u>Totals</u>
3rd quarter - FY 1988					
Premium Due	\$ 1,420,000.00	\$ 580,000.00	\$ -	\$ -	\$ 2,000,000.00
Premium Paid	1,420,000.00	580,000.00	-	-	2,000,000.00
State's Share of Premium Due (%)	50%	50%	N/A	N/A	N/A
State's Share of Premium Due (\$)	710,000.00	290,000.00	-	-	1,000,000.00
State's Share Paid (Deficit) State Share	225,000.91 (\$ 484,489.09)	92,110.09 (\$ 197,889.91)	-	-	317,621.00 (\$ 682,379.00)
4th quarter - FY 1988					
Premium Due	\$ 1,420,000.00	\$ 580,000.00	\$ -	\$ -	\$ 2,000,000.00
Premium Paid	-	-	-	-	-
State's Share of Premium Due (%)	50%	50%	N/A	N/A	N/A
State's Share of Premium Due (\$)	710,000.00	290,000.00	-	-	1,000,000.00
State's Share Paid (Deficit) State Share	- (\$ 710,000.00)	- (\$ 290,000.00)	-	-	- (\$ 1,000,000.00)

<u>Period</u>	<u>Commercial Casualty Policy (CGP001- 57-87-06)</u>	<u>Business Auto Policy (BUA001- 59-87-09)</u>	<u>Retro Claims</u>	<u>Railroad Policy</u>	<u>Totals</u>
1st quarter - FY 1989					
Premium Due	\$ 2,500,000.00 <u>1/</u>	N/A	\$ 567,063.00	\$ 3,000.00	\$ 3,070,063.00
Premium Paid*	4,500,000.00 <u>1/</u>	N/A	567,063.00	3,000.00	5,070,063.00
State's Share of Premium Due (%)	40%	N/A	100%	100%	N/A
State's Share of Premium Due (\$)	1,000,000.00 <u>1/</u>	N/A	567,063.00	3,000.00	1,570,063.00
State's Share Paid (Deficit) State Share	- (\$ 1,000,000.00)	N/A	- (\$ 567,063.00)	- (\$ 3,000.00)	- (\$ 1,570,063.00)

\* Includes \$2,000,000.00 representing 4th quarter - FY 1988 Premium

1/ Beginning 7/1/88 Commercial Casualty and Business Auto Premiums were billed as a single amount

N/A Not applicable

As shown in the following summary derived from the above schedule, public entity funds have been used to subsidize the State's share of insurance coverage as shown below:

(1) State's Portion of Premium - 3rd quarter (FY 1988)	\$ 682,379.00
(2) State's Portion of Premium - 4th quarter (FY 1988)	1,000,000.00
(3) State's Portion of Premium - 1st quarter (FY 1989)	1,000,000.00
(4) Retroactive Payments	567,063.00
(5) Railroad Protective Policy	<u>3,000.00</u>
Total Subsidization	3,252,442.00
Less: Subsequent Refunds	<u>900,000.00</u>
Amount Due from State Funds	<u>\$ 2,352,442.00</u>

We reviewed the Executive Budget submitted by the Governor to the Legislature for fiscal years 1988 and 1989. The review showed the Board requested \$15,000,000.00 in fiscal year 1988 and \$9,854,717.00 in fiscal year 1989 in general revenue appropriations for the purpose of paying insurance premiums claims and other expenses. The governor's recommendation as shown in the Executive Budget for fiscal years 1988 and 1989 were \$3,000,000.00 and \$3,500,000.00, respectively. Based on the rational allocation formula used by the Board, the State's share of the Commercial Casualty Policy and Business Auto Policy was \$4,000,000.00 in each of these fiscal years.

The amount of \$4,000,000.00 would not include retroactive claims from prior years or other smaller insurance policies which should have been paid from the State General Revenue Funds. Therefore, it appears the Governor's recommended funding was insufficient to meet the State's share of the cost of the insurance program.

However, review of the Budget Bill for fiscal year 1988 shows the Board was empowered to bill State agencies in the event the general revenue appropriations did not meet the State's share of the cost of the insurance program. Specifically, the 1988 Budget Bill Stated in part regarding the West Virginia State Board of Risk and Insurance Management,

' . . . Should this appropriation be insufficient to meet the requirements of the State spending units, any excess costs shall be a proper charge against the units and each spending unit shall reimburse to the State Board of Insurance any amounts required for that department for costs in excess of this appropriation.'

We did not locate any evidence indicating the language contained in Budget Bill for fiscal year 1988 was implemented by billing State spending units to recover the shortfall in funding."

Arnett & Foster observed for the period under audit that the Board received a supplemental appropriation to refund the West Virginia State Office of Emergency Services for the \$2,000,000 claim settlement from CNA noted in the above finding. However, we further noted that for the period under audit that the Board filed a request for a supplemental appropriation on December 11, 1990, with the Budget Section of the Division of Finance of the Department of Administration in the amount of \$2,352,442.00 to repay the Public Entity Fund from the State General Revenue Fund. The Budget Section did not, however, acknowledge the request. Further, the Board did not bill the State Agencies for the improper subsidization of the insurance premiums of prior years, during our audit period, as Board management was of the opinion that such repayment was an obligation of the West Virginia State General Revenue Fund.

#### Recommendation

We recommend the Board comply with Chapter Twenty Nine, Article Twelve, Section Five, Subsection (b) of the West Virginia Code.

#### Maintenance of Adequate Documents and Records

##### 2. Finding

Chapter Five (A), Article Eight, Section Nine of the West Virginia Code provides that spending units must provide for the following:

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

During the performance of the audit we observed that the Board maintained subsidiary records of premium cash receipts. However, the effectiveness of the subsidiary record to control premium receipts was questionable as it was

not reconciled to the Board's internal accounting records on the State Auditor's Office Account Status Reports. As part of our audit procedures, we reconciled the subsidiary records to account status reports and discovered the following unlocated variances between the adjusted subsidiary records and the Board's general accounting records:

<u>Audit Period Ended</u>	<u>Premium Receipt Type</u>	<u>Adjusted Subsidiary Balance</u>	<u>General Accounting Records Balance</u>	<u>Unlocated Variance</u>
June 30, 1990	State Agencies	\$ 5,224,435.00	\$ 5,224,379.00	\$ 56.00
	Mine Subsidence	1,473,883.16	1,494,774.69	(20,891.53)
	Public Entities	15,980,853.67	15,986,374.57	(5,520.90)
	Underground Tank	188,200.00	166,500.00	21,700.00
	Total	<u>22,867,371.83</u>	<u>22,872,028.26</u>	<u>(4,656.43)</u>
April 30, 1991	State Agencies	4,957,588.00	4,993,758.00	(36,170.00)
	Mine Subsidence	1,206,816.57	1,196,599.95	10,216.62
	Public Entities	15,908,073.78	15,911,971.99	(3,898.21)
	Underground Tank	1,224,635.11	1,191,207.11	33,428.00
	Total	<u>23,297,113.46</u>	<u>23,293,537.05</u>	<u>3,576.41</u>
Grand Total		<u>\$ 46,164,485.29</u>	<u>\$ 46,165,565.31</u>	<u>\$ (1,080.82)</u>

The above unlocated variances were not material to the Board's Statements of Appropriations/Cash Receipts, Expenditures/Cash Disbursement and Changes in Fund Balances for the year ended June 30, 1990 and the ten month period ended April 30, 1991.

Additionally, during our testing of premium receipts we observed that of a statistical sample of 82 accounts of insurance program participants which were selected for testing, the premium charges for 32 accounts were not supported by source documentation. We were able, however, to positively confirm with the insured entity the amounts of premiums charged for all accounts selected for testing.

These conditions violated the requirements of Chapter Five (A), Article Eight, Section Nine of the West Virginia Code.

#### Recommendation

We recommend the Board's records be maintained to ensure compliance with Chapter Five (A), Article Eight, Section Nine of the West Virginia Code.

#### Record Retention

##### 3. Finding

Chapter Five (A), Article Eight, Section Seventeen of the West Virginia Code states the following:

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

During the performance of our audit, we observed the following:

- Our testing of premium receipts revealed that after the receipt and recording of premium cash receipts and the related invoices for State Agency, Public Entity and Underground Tank insurance programs, the invoices forwarded by the insured entity with the cash receipt was destroyed.
- All leave approvals and leave records prior to December 31, 1989 were destroyed by the Board's fiscal management.

The above documents should be maintained to substantiate the related fiscal activities until the approvals required by the West Virginia Code have been appropriately obtained. These conditions violate Chapter Five (A), Article Eight, Section Seventeen of the West Virginia Code.

#### Recommendation

We recommend the Board maintain documentation to ensure compliance with Chapter Five (A), Article Eight, Section Seventeen of the West Virginia Code.

#### Leave Records

#### 4. Finding

Chapter Twelve, Article Three, Section Nine of the West Virginia Code states the following:

"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."

During the performance of our audit, we observed that the Board fiscal management destroyed all leave records of the Board's employees prior to December 31, 1989. Though the audit procedures performed indicated that proper approvals of payroll expenditures were provided by the State auditor, we could not test payroll expenditures prior to December 31, 1989 to ensure that leave taken by employees did not exceed leave earned. Thus, if the above provision of the West Virginia Code was violated between July 1, 1989 and December 31, 1989, it could not be detected. The payroll of the Board during this period was, however, immaterial to the Statement of Appropriations/Cash Receipts, Expenditures/Cash Disbursements and Changes in Fund Balances for the year ended June 30, 1990.

#### Recommendation

We recommend that appropriate records be maintained to substantiate compliance with Chapter Twelve, Article Three, Section Nine of the West Virginia Code.

## Deposit of Insurance Premiums with the State Treasury

### 5. Finding

Chapter Twelve, Article Two, Section Two of the West Virginia Code States the following:

"All officials and employees of the State authorized by statute to accept moneys due to State of West Virginia shall keep daily itemized record of such moneys so received for deposit in the State treasury and shall deposit within twenty-four hours with the State treasurer all moneys received or collected by them for or on behalf of the State for any purpose whatsoever."

Our audit revealed that the source documentation for premium receipts was not maintained once premium receipts were recorded and the deposit prepared. Additionally, the Board's fiscal management did not maintain any supporting source documentation to evidence the date premium remittances were actually received at the Board's offices. Consequently, we were not able to determine whether the premium cash receipts were deposited by the Board within the required period of time established by the West Virginia Code. Thus, instances of noncompliance with Chapter Twelve, Article Two, Section Two of the West Virginia Code could have occurred during the audit period, but such instances would not be detectable by the Board's control structure or by audit.

### Recommendation

We recommend the Board management maintain documentation adequate to substantiate compliance with Chapter Twelve, Article Two, Section Two.

## Board Member's Per Diem Certification

### 6. Finding

Chapter Twenty-Nine, Article Twelve, Section Three, paragraph (c) of the West Virginia Code States the following:

"Each member of the Board shall receive the sum of forty dollars per day for each day's services actually performed for such Board as well as all necessary expenses incurred in the performance of their duties, not exceeding one hundred days in any one calendar year. The auditor shall pay such compensation and expenses upon requisition certified by the chairman from appropriations provided for such purposes."

The prior post audit performed by the Legislative Auditor's Office disclosed the following:

"Prior to August 1987, each Board member completed and signed a monthly payroll certification form, which indicated the number of days in the month that the Board member performed duties related to his appointed office. After that time, the certification forms were no longer completed, and, as a result, we were unable to determine the exact days which were claimed by each member as having been worked."

The above condition also existed during the period of July 1, 1989 through April 30, 1991 with the same result, however, our audit did not indicate that the per diem paid exceeded the limitation mandated by the above Code section. The above condition appears to violate Chapter Nine, Article Twelve, Section Three of the West Virginia Code.

#### Recommendation

We recommend the Board maintain documentation evidencing appropriate per diem certifications in order to comply with Chapter Twenty-Nine, Article Twelve, Section Three of the West Virginia Code.

### Withholding of Employee Social Security Contributions

#### 7. Finding

Chapter Five, Article Seven, Section Four of the West Virginia Code States the following:

"Every employee of the State whose services are covered by an agreement entered into under Section Three shall be required to pay for the period of such coverage, into the contribution fund established by Section Six, contributions, with respect to wages, as defined in Section Two of this Article, equal to the amount of tax which would be imposed by Section One Thousand Four Hundred of the Federal Insurance Contributions Act if such services constituted employment within the meaning of that act."

Our testing of payroll expenditures of the Board for the audit period revealed two instances where employee Social Security contributions appeared to be improper in amount. We understand that the Board's payroll was prepared by the West Virginia Department of Administration, Personnel Division, and that payroll was reviewed for reasonableness and propriety by the Board's fiscal management prior to the distribution of payroll warrants. The cause of the errors was not determinable, however, it appears that a detailed review of payroll might have detected the errors. These instances appear to have resulted in technical violation of Chapter Five, Article Seven, Section Four of the West Virginia Code.

#### Recommendation

We recommend that the Board comply with Chapter Five, Article Seven, Section Four of the West Virginia Code.

### Withholding Authorizations for Voluntary Deductions

#### 8. Finding

Chapter Twelve, Article Three, Section Thirteen (B) of the West Virginia Code States the following:

"Any officer or employee of the State of West Virginia may authorize that a voluntary deduction from his net wages be made for the payment of membership dues or fees to an employee association. Voluntary deductions may also be authorized by an officer or employee for any supplemental health and life insurance premium, subject to prior approval by the

auditor. Such deductions shall be authorized on a form provided by the auditor of the State of West Virginia and shall state (a) the identity of the employee; (b) the amount and frequency of such deductions; and (c) the identity and address of the association or insurance company to which such dues shall be paid. Upon execution of such authorization and its receipt by the office of the Auditor, such deductions shall be made in the manner specified on the form and remitted to the designated association or insurance company on the tenth day of each month; provided that such deductions shall not be made more frequently than once monthly."

Our testing of payroll expenditures of the Board for the audit period revealed two instances where employee personnel files did not contain the requisite documentation to support voluntary withholdings. We understand that the Board's payroll and personnel actions were controlled by the West Virginia Department of Administration, Personnel Division, and payroll and personnel actions were reviewed for reasonableness and propriety by the Board's fiscal management. The cause of the errors was not determinable, however, it appears that even though personnel actions were controlled by the Department of Administration, Personnel Division, the Board management maintained personnel files for its employees, and such files should contain the requisite documents to support employee voluntary withholdings. These instances appear to have resulted in technical violation of Chapter Twelve, Article Three, Section Thirteen (B) of the West Virginia Code.

Recommendation

We recommend that the Board comply with chapter Twelve, Article Three, Section Thirteen (B) of the West Virginia Code.

Inventory Reports

9. Finding

Chapter Five (A), Article Three, Section Thirty-five, of the West Virginia Code provides that spending units must provide for the following:

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

Our audit indicated that even though the Board maintains controls over the acquisition and disposition of real and personal property as well as equipment, supplies and commodities and takes physical inventories of such items approximately every year, and no problems were observed on these records, the Board has not submitted an annual inventory report of such items to the Director of Finance and Administration since July of 1987. This resulted in technical violation of Chapter Five (A), Article Three, Section Thirty-Five of the West Virginia Code.

Recommendation

We recommend that the Committee management submit the requisite reports in order to comply with Chapter Five (A), Article Three, Section Thirty-Five.

We considered these instances of noncompliance in forming our opinion on whether the April 30, 1991 and June 30, 1990 financial statements are presented fairly in all material respects, in conformity with the Board's modified cash basis of accounting, and this report does not affect our report dated September 17, 1991, on those financial statements.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the Board complied in all material respects, with the provisions referred to in the second paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that the Board had not complied in all material respects, with those provisions.

This report is intended for the information of the Joint Committee on Government and Finance and management of the West Virginia State Board of Risk and Insurance Management. This is not intended to limit the distribution of this report, which is a matter of public record.

*Arnett & Justice*

September 17, 1991



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

West Virginia Legislature Joint Committee  
on Government and Finance  
Legislative Auditor  
Room 441, Main Unit  
State Capitol  
Charleston, West Virginia

We have audited the financial statements of the West Virginia State Board of Risk and Insurance Management for the year ended June 30, 1990 and the ten month period ended April 30, 1991 and have issued our report thereon dated September 17, 1991.

We conducted our audits in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audits of the financial statements of the West Virginia State Board of Risk and Insurance Management for the year ended June 30, 1990 and the ten month period ended April 30, 1991, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the West Virginia State Board of Risk and Insurance Management (the Board) is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the Board's modified cash basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For all of the significant internal control structure categories, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

#### Cash Receipts Cycle

##### 1. Finding

An optimum internal control structure contemplates an adequate separation of duties to ensure that no one individual can control a transaction from its inception to its completion and its recording in the accounting records. This is of particular importance for cash receipt transactions. We observed that the controller of the Board was able to control premium billing and receipts transactions from the inception to their completion including the recording of the premium receipts transaction in the Board's accounting system. This condition could result in errors, irregularities or illegal acts to occur and go undetected.

##### Recommendation

We recommend that the Board take steps to separate premium billing and receipts transactions among available administrative personnel to the fullest extent possible.

##### 2. Finding

During the performance of our audit, we observed that the Board maintains subsidiary records of premium cash receipts. However, the effectiveness of the subsidiary records to control premium receipts was questionable as it was not reconciled to the Board's internal accounting records or the State Auditor's Office Account Status Reports. This condition could result in errors, irregularities or illegal acts to occur and go undetected. In order for the subsidiary records to be an effective control, it should be reconciled to the Board's internal accounting records and/or the State Auditor's Office Account Status Reports on a monthly basis.

##### Recommendation

We recommend that the Board perform a monthly reconciliation as indicated above.

##### 3. Finding

During our testing of premium cash receipts, we observed that the Board did not always maintain supporting source documentation of premiums billed and received from insurance program subscribers. Premium billings and receipts should be supported by adequate source documentation to evidence the propriety of the transactions.

Recommendation

We recommend the Board management maintain adequate supporting source documents for premium billings and receipts.

This report is intended for the information of the Joint Committee on Government and Finance and management of the West Virginia State Board of Risk and Insurance Management. This is not intended to limit the distribution of this report, which is a matter of public record.

*Arnett & Jester*

September 17, 1991



INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS

West Virginia Legislature Joint Committee  
On Government and Finance  
Legislative Auditor  
Room 441, Main Unit  
State Capitol  
Charleston, West Virginia

We have audited the accompanying statements of appropriations/cash receipts, expenditures/cash disbursement and changes in fund balances of the West Virginia State Board of Risk and Insurance Management for the ten month period ended April 30, 1991 and for the year ended June 30, 1990. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 1, the accompanying statements of appropriations/cash receipts, expenditures/cash disbursements and changes in fund balances are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the appropriations/cash receipts, expenditures/cash disbursements and changes in fund balances of the West Virginia State Board of Risk and Insurance Management for the ten month period ended April 30, 1991 and the year ended June 30, 1990, on the basis of accounting described in Note 1.

*Arnett & Foster*

September 17, 1991

1000 Laidley Tower, 500 Lee Street, East, P.O. Box 2629  
Charleston, West Virginia 25329  
304/346-0441  
Certified Public Accountants  
Member of Associated Regional Accounting Firms

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Year Ended June 30, 1990

<u>General Revenue</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
\$ 4,181,291.00	\$ -	\$ 4,181,291.00
-	22,872,028.26	22,872,028.26
-	<u>1,324,464.62</u>	<u>1,324,464.62</u>
<u>4,181,291.00</u>	<u>24,196,492.88</u>	<u>28,377,783.88</u>
-	276,211.60	276,211.60
-	63,533.47	63,533.47
-	23,508,533.94	23,508,533.94
-	82,289.87	82,289.87
-	<u>1,801,695.66</u>	<u>1,801,695.66</u>
-	<u>25,732,264.54</u>	<u>25,732,264.54</u>
<u>4,181,291.00</u>	<u>(1,535,771.66)</u>	<u>2,645,519.34</u>
(4,051,840.00)	4,051,840.00	-
-	-	-
<u>(129,451.00)</u>	<u>-</u>	<u>(129,451.00)</u>
<u>(4,181,291.00)</u>	<u>4,051,840.00</u>	<u>(129,451.00)</u>
-	<u>26,276,456.17</u>	<u>26,276,456.17</u>
<u>\$ -</u>	<u>\$ 28,792,524.51</u>	<u>\$ 28,792,524.51</u>

## WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Nature of Organization and Significant Accounting Policies

## Nature of Organization:

The West Virginia State Board of Risk and Insurance Management (the Board) was created by the State of West Virginia under Chapter Twenty-Nine, Article Twelve of the Code of the State of West Virginia. The purpose of the Board is to provide for the general supervision and control over the insurance of all State property, activities, and responsibilities, including the acquisition and cancellation thereof, to determine the amount and kind of coverage included, but not limited to, deductible forms of insurance coverage; and to provide for the power of inspections or examinations of data relating to any and all matters, factors and considerations that effect negotiations for advantageous rates on and coverage of all State property, activities, and responsibilities. Additionally, the Board has been given the responsibility of providing liability insurance for all county Boards of Education of the State of West Virginia, of administering a coal mine subsidence insurance program for the general public of the State of West Virginia, of providing property and liability insurance to political subdivisions and nonprofit corporations of the State of West Virginia, and for administering an underground storage tank insurance program for the West Virginia Department of Commerce, Labor, and Environmental Resources, Division of Natural Resources.

A summary of the Board's significant accounting policies follows:

## Basis of accounting:

The accounting records of the Board are maintained on a modified cash basis of accounting. Accordingly, expenses are recognized when paid and revenues when received. This practice differs in some respects from generally accepted accounting principles, which requires that the financial statements be prepared on an accrual basis. The Board follows the modified cash basis of accounting for the general revenue fund accounts and appropriated special revenue fund accounts. The major modification from the cash basis is that a 30-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. The cash basis of accounting is followed for all other funds. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

## Fund accounting:

To ensure observance of limitations and restrictions placed on the use of resources available to the Board, the accounts are maintained in accordance with principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified

activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund types. Accordingly, all financial transactions have been recorded and reported by fund type.

General Revenue Funds - The General Revenue Fund is the general operating fund and is used to account for the ordinary operations and for operating resources not accounted for in other funds.

Appropriations are recognized when approved by the State legislature. Unexpended appropriations from the General Fund of the State of West Virginia expire or revert back to the State, unless specifically excluded. Expenses are recorded on a cash basis, however, this basis is modified to provide a 30-day "pay-out" period at the end of each fiscal year for the payment of obligations incurred in that year.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources. Receipts and disbursements are recorded primarily on a cash basis. Funds accounted for in the special revenue funds are to be utilized to pay claims and administrative costs related to the insurance programs for which the funds were established.

**Fixed assets:**

Fixed assets are accounted for as expenditures in the various funds from which they are purchased. No separate general fixed assets group of accounts are maintained.

**Income tax status:**

The Board is exempt from Federal and State income taxes.

**Note 2. Retirement Plan**

The Board is a participant in the West Virginia Public Employees Retirement System (WVPERS) which is a defined benefit, cost-sharing multiple-employer pension plan. Total covered payroll (eligible employees' compensation) and total payroll for all employees was \$247,860.42 and \$257,220.86, respectively, for the ten month period ended April 30, 1991 and \$266,329.26 and \$276,211.60, respectively, for the year ended June 30, 1990.

The pension plan covers all of the Board's employees whose tenure is not restricted as temporary or provisional. Members' rights to employee contributions vest immediately while members with one year or more contributing service and five years or more credited service shall be eligible to retire at age 60 and receive an annuity consisting of employee and employer contributions. Contributions to the WVPERS by the Board are at 9.5% of eligible employees' compensation. In addition, the Board withholds 4.5% of eligible employee's compensation and remits the withholding monthly to the WVPERS. The Board's contribution requirement was not actuarially determined. Contribution obligations and benefit provisions are established pursuant to the West Virginia Public Employees Retirement Act.

The employer and employee contributions for the ten month period ended April 30, 1991 were \$23,546.74 and \$11,153.72, respectively, representing 9.5% and 4.5% of the period's covered payroll, respectively. The employer and employee contributions for the year ending June 30, 1990 were \$25,301.28 and \$11,984.87, respectively, representing 9.5% and 4.5% of the year's covered payroll, respectively.

Information regarding benefit provisions, actuarial assumptions and funding method, pension benefit obligation (actuarial present value of credited projected benefits), net assets available for benefits, 10-year historical trend, and related party transactions is not readily available since such determinations are made and information is kept on a system-wide basis and not for the individual participating divisions of state and local government. This information is available in the separately issued financial statements of the WVPERS.

Note 3. Fund Balance

Detail of ending fund balances of the Board as of April 30, 1991 and June 30, 1990 is as follows:

	<u>April 30, 1991</u>	<u>June 30, 1990</u>
Cash on hand at year end	\$ 393,508.20	\$ -
Cash deposited in non-earning accounts of the Treasury of the State of West Virginia	3,467,117.94	5,421,710.55
Cash deposited in interest earning accounts of the Treasury of the State of West Virginia	<u>29,003,676.21</u>	<u>23,370,813.96</u>
Total	<u>\$ 32,864,302.35</u>	<u>\$ 28,792,524.51</u>

Regarding the funds deposited in interest earning accounts of the Treasury of the State of West Virginia, significant losses were reported by the West Virginia State Board of Investments as having occurred during the period April 1, 1987 through June 30, 1987. The amounts reflected above have not been adjusted to reflect any decline in value of the investment securities underlying the deposited funds as the West Virginia State Board of Investments has not determined the required adjustment necessary to reflect the decline in value, and has established an amortization fund composed of zero coupon bonds to fund any deficiency of the Consolidated Fund Unrestricted (pool number 100) which underlies the balances deposited in interest earning accounts reflected above.

Note 4. Related Parties

As a unit of the State of West Virginia, the Board has various contracts and transactions with other units of the State of West Virginia. Some of these transactions include the purchase of office supplies, contract for computer data processing, etc.

In addition to the aforementioned transactions, the Board is fulfilling its Legislative mandate to provide insurance coverage to all units of State government of the State of West Virginia. In fulfilling this mandate, the Board collected premiums from and paid claims to other units of State government. The premiums received from and claims paid to other units of State government for the ten month period ended April 30, 1991 and the year ended June 30, 1990 are as follows:

	Ten Months Ended April 30, 1991	Year Ended June 30, 1990
Premiums received	<u>\$ 4,993,758.00</u>	<u>\$ 5,224,379.00</u>
Claims paid	<u>\$ 316,532.26</u>	<u>\$ 651,567.22</u>

Further, the Board transferred \$2,000,000.00 to the West Virginia Office of Emergency Services in order to reimburse the Federal Emergency Management Administration for funds provided West Virginia for recovery from devastating floods that occurred in the State in November, 1985. The funds transferred were provided by a supplemental appropriation from the West Virginia State General Fund.

Note 5. Commitments

During the normal course of business, the Board incurs and pays insurance claims on the behalf of the insured subscribers of its various insurance programs. As of April 30, 1991, the Board had approximately \$2,200,000.00 of outstanding claims payable to subscribers of its insurance programs.



## INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

West Virginia Legislature Joint Committee  
on Government and Finance  
Legislative Auditor  
Room 441, Main Unit  
State Capitol  
Charleston, West Virginia

Our audits were made for the purpose of forming an opinion on the statements of appropriations/cash receipts, expenditures/cash disbursements and changes in fund balances taken as a whole. The supplementary information on Pages 28-35 is presented for purposes of additional analysis and is not a required part of the statements of appropriations/cash receipts, expenditures/cash disbursements and changes in fund balances. Such information has been subjected to the auditing procedures applied in the audits of the statements of appropriations/cash receipts, expenditures/cash disbursements and changes in fund balances and, in our opinion, is fairly stated in all material respects in relation to the statements of appropriations/cash receipts, expenditures/cash disbursements and change in fund balances taken as a whole.

*Arnett & Foster*

September 17, 1991

## WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

## SCHEDULES OF APPROPRIATIONS AND EXPENDITURES

For the Ten Months Ended April 30, 1991 and the Year Ended June 30, 1990

	Ten Months Ended April 30, 1991	Year Ended June 30, 1990
<u>Appropriated General Revenue Accounts</u>		
<u>Personal Services - Account 2250-00</u>		
Appropriations	\$ -	\$ 12,000.00
Transfers out:		
Transfer to Payroll Clearing Account - Account 8275-77	-	7,988.00
Balance	-	4,012.00
Transmittals paid after June 30, 1990	-	-
Balance expired	<u>\$ -</u>	<u>\$ 4,012.00</u>
<u>Unclassified - Account 2250-18</u>		
Appropriations	\$ 4,043,852.00	\$ 4,169,291.00
Transfers out:		
Transfer to Professional Liability Trust Fund - Account 8275-07	4,030,702.00	4,043,852.00
Transfer to Payroll Clearing Account - Account 8275-77	<u>13,150.00</u>	-
Balance	-	125,439.00
Transmittals paid after June 30, 1990	-	-
Balance expired	<u>\$ -</u>	<u>\$ 125,439.00</u>
<u>Appropriated General Revenue Accounts</u>		
<u>FEMA Reimbursement - Account 2251-29</u>		
Appropriation	\$ 2,000,000.00	\$ -
Transfers out:		
Transfer to West Virginia Office of Emergency Services	<u>2,000,000.00</u>	-
Balance	<u>\$ -</u>	<u>\$ -</u>

## WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
For the Ten Months Ended April 30, 1991 and the Year Ended June 30, 1990

	Ten Months Ended April 30, 1991	Year Ended June 30, 1990
	<u>                    </u>	<u>                    </u>
<u>Unappropriated Special Revenue Accounts</u>		
<u>Commission Account - Account 8275-06</u>		
Cash disbursements:		
Current expense	\$ -	\$ 864,100.00
Transfers in (out):		
Transfer from Public Entity Property Insurance Trust Fund - Account 8275-04	-	184,493.00
Transfer from Public Entity Liability Insurance Trust Fund - Account 8275-10	-	676,387.00
Total transfers	<u>-</u>	<u>860,880.00</u>
Beginning fund balance	<u>11,129.98</u>	<u>14,349.98</u>
Ending fund balance	<u>\$ 11,129.98</u>	<u>\$ 11,129.98</u>
<u>Professional Liability Trust Fund - Account 8275-07</u>		
Cash receipts:		
Insurance premiums	\$ 4,993,758.00	\$ 5,224,379.00
Cash disbursements:		
Current expense	7,634,366.00	8,951,405.00
Other extraordinary	<u>316,532.26</u>	<u>651,567.22</u>
Total cash disbursements	<u>7,950,898.26</u>	<u>9,602,972.22</u>
Transfers in (out):		
Transfer from Unclassified - Account 2250-18	4,030,702.00	4,043,852.00
Transfer to Underground Tank Insurance Fund - Account 8275-11	<u>(31,800.00)</u>	<u>-</u>
Net transfers	<u>3,998,902.00</u>	<u>4,043,852.00</u>
Beginning fund balance	<u>946,218.36</u>	<u>1,280,959.58</u>
Ending fund balance	<u>\$ 1,987,980.10</u>	<u>\$ 946,218.36</u>

(Continued)

## WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE, CONTINUED

For the Ten Months Ended April 30, 1991 and the Year Ended June 30, 1990

	Ten Months Ended April 30, <u>1991</u>	Year Ended June 30, <u>1990</u>
<u>Mine Subsidence Insurance</u>		
<u>Fund - Account 8275-08</u>		
Cash receipts:		
Insurance premiums	\$ <u>1,196,599.95</u>	\$ <u>1,494,774.69</u>
Cash disbursements:		
Employee benefits	620.00	8,568.88
Current expense	208,707.49	174,653.64
Equipment	8,902.76	3,831.46
Other extraordinary disbursements	<u>155,121.49</u>	<u>208,432.73</u>
Total cash disbursements	<u>373,351.74</u>	<u>395,486.71</u>
Transfers in (out):		
Transfer to related Investment Account N105-01	(1,050,000.00)	(950,000.00)
Transfer to Payroll Clearing Account - Account 8275-77	<u>(94,628.00)</u>	<u>(107,430.32)</u>
Net transfers	<u>(1,144,628.00)</u>	<u>(1,057,430.32)</u>
Beginning fund balance	<u>497,816.91</u>	<u>455,959.25</u>
Ending fund balance	<u>\$ 176,437.12</u>	<u>\$ 497,816.91</u>
<u>Public Entity Property Insurance</u>		
<u>Fund - Account 8275-09</u>		
Cash receipts:		
Insurance premiums	\$ <u>4,613.00</u>	\$ <u>3,491,643.24</u>
Cash disbursements:		
Employee benefits	-	4,229.86
Current expense	55,973.50	1,252,177.87
Equipment	590.00	17,318.56
Other extraordinary disbursements	<u>12,024.75</u>	<u>941,695.71</u>
Total cash disbursements	<u>68,588.25</u>	<u>2,215,422.00</u>

(Continued)

## WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE, CONTINUED

For the Ten Months Ended April 30, 1991 and the Year Ended June 30, 1990

	Ten Months Ended April 30, <u>1991</u>	Year Ended June 30, <u>1990</u>
Transfers in (out):		
Transfer from related Investment Account N105-02	-	1,466,168.60
Transfer to Payroll Clearing Account Account 8275-77	-	(70,211.53)
Transfer to Commission Account Account 8275-06	-	(184,493.00)
Transfer Underground Tank Insurance Account 8275-11	(4,600.00)	-
Transfer to Public Entity Liability Insurance Trust Fund - Account 8275-10	<u>(3,500,000.00)</u>	<u>-</u>
Net transfers	<u>(3,504,600.00)</u>	<u>1,211,464.07</u>
Beginning fund balance	<u>3,573,819.95</u>	<u>1,086,134.64</u>
Ending fund balance	<u>\$ 5,244.70</u>	<u>\$ 3,573,819.95</u>
<u>Public Entity Liability Insurance</u>		
<u>Fund - Account 8275-10</u>		
Cash receipts:		
Insurance premiums	** \$15,907,358.99	\$12,494,731.33
Cash disbursements		
Employee benefits	1,240.00	11,032.42
Current expense	15,496,559.89	12,266,197.43
Equipment	3,749.62	61,139.85
Other extraordinary disbursements	<u>833,958.59</u>	<u>-</u>
Total cash disbursements	<u>16,335,508.10</u>	<u>12,338,369.70</u>
Transfers in (out):		
Transfer to related Investment Account N105-03	(1,450,000.00)	(3,400,000.00)
Transfer to Payroll Clearing Account Account 8275-77	(252,713.00)	(132,880.15)
Transfer to Commission Account - Account 8275-06	-	(676,387.00)
Transfer from Public Entity Property Insurance Trust Fund - Account 8275-09	<u>3,500,000.00</u>	<u>-</u>

(Continued)

## WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE, CONTINUED

For the Ten Months Ended April 30, 1991 and the Year Ended June 30, 1990

	Ten Months Ended April 30, 1991	Year Ended June 30, 1990
Net transfers	<u>1,797,287.00</u>	<u>(4,209,267.15)</u>
Beginning fund balance	<u>223,620.45</u>	<u>4,276,525.97</u>
Ending fund balance	* <u>\$ 1,592,758.34</u>	<u>\$ 223,620.45</u>
<u>Reconciliation of Fund Balance and Premium Receipts</u>		
* Auditor's Office accounts status report fund balance as of April 30, 1991	\$ 1,203,350.14	
Cash on hand not yet deposited with Treasurer's Office as of April 30, 1991	<u>389,408.20</u>	
Adjusted fund balance	<u>\$ 1,592,758.34</u>	
** Auditor's Office account status report premium receipts as of April 30, 1991	\$15,517,950.79	
Premium receipts not deposited with Treasurer's Office as of April 30, 1991	<u>389,408.20</u>	
Adjusted premium receipts	<u>\$15,907,358.99</u>	
<u>Underground Tank Insurance</u> <u>Fund - Account 8275-11</u>		
Cash receipts:		
Insurance premiums	** <u>\$ 1,191,207.11</u>	<u>\$ 166,500.00</u>
Cash disbursements:		
Current expense	<u>20,994.74</u>	<u>-</u>
Transfer in (out):		
Transfer from Professional Liability Trust Fund - Account 8275-07	31,800.00	-
Transfer from Public Entity Property Insurance Fund - Account 8275-09	4,600.00	-
Transfer to related Investment Account N105-04	<u>(1,330,000.00)</u>	<u>-</u>

(Continued)

## WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE, CONTINUED

For the Ten Months Ended April 30, 1991 and the Year Ended June 30, 1990

	Ten Months Ended April 30, 1991	Year Ended June 30, 1990
Net transfers	<u>(1,293,600.00)</u>	<u>-</u>
Beginning fund balance	<u>166,500.00</u>	<u>-</u>
Ending fund balance	* \$ <u>43,112.37</u>	\$ <u>166,500.00</u>
<u>Reconciliation of Fund Balance and Premium Receipts</u>		
* Auditors Office account status report fund balance as of April 30, 1991	\$ 39,012.37	
Cash on hand not yet deposited with Treasurer's Office as of April 30, 1991	<u>4,100.00</u>	
Adjusted fund balance	<u>\$ 43,112.37</u>	
** Auditors Office account status report premium receipts as of April 30, 1991	\$ 1,187,107.11	
Premium receipts not deposited with Treasurer's Office as of April 30, 1991	<u>4,100.00</u>	
Adjusted premium receipts	<u>\$ 1,191,207.11</u>	
<u>Payroll Clearing Account - Account 8275-77</u>		
Cash disbursements:		
Personal services	\$ 257,220.86	\$ 276,211.60
Employee benefits	<u>61,911.51</u>	<u>39,702.31</u>
Total cash disbursements	<u>319,132.37</u>	<u>315,913.91</u>
Transfers in (out):		
Transfer from Personal Services - Account 2250-00	-	7,988.00
Transfer from Unclassified - Account 2250-18	13,150.00	-
Transfer from Mine Subsidence Insurance Fund - Account 8275-08	94,628.00	107,430.32
Transfer from Public Entity Property Insurance Trust Fund - Account 8275-09	-	70,211.53

(Continued)

## WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE, CONTINUED

For the Ten Months Ended April 30, 1991 and the Year Ended June 30, 1990

	Ten Months Ended April 30, <u>1991</u>	Year Ended June 30, <u>1990</u>
Transfer from Public Entity Liability Insurance Trust Fund - Account 8275-10	<u>252,713.00</u>	<u>132,880.15</u>
Net transfers	<u>360,491.00</u>	<u>318,510.00</u>
Beginning fund balance	<u>2,604.90</u>	<u>8.81</u>
Ending fund balance	<u>\$ 43,963.53</u>	<u>\$ 2,604.90</u>
<u>Mine Subsidence Trust Fund - Account N105-01</u>		
Cash receipts:		
Investment income	<u>\$ 456,154.65</u>	<u>\$ 327,241.17</u>
Transfers in (out):		
Transfer from related Account 8275-08	<u>1,050,000.00</u>	<u>950,000.00</u>
Beginning fund balance	<u>6,407,039.13</u>	<u>5,129,797.96</u>
Ending fund balance	<u>\$ 7,913,193.78</u>	<u>\$ 6,407,039.13</u>
<u>Flood Trust Fund - Account N105-02</u> (Utilized for the Public Entity Property Insurance Program)		
Cash Receipts:		
Investment income	<u>\$ 111,023.71</u>	<u>\$ 220,495.17</u>
Transfers in (out):		
Transfer to related Account 8275-09	<u>-</u>	<u>(1,466,168.60)</u>
Beginning fund balance	<u>1,504,074.34</u>	<u>2,749,747.77</u>
Ending fund balance	<u>\$ 1,615,098.05</u>	<u>\$ 1,504,074.34</u>
<u>Public Entity Trust Fund - Account N105-03</u> (Utilized for the Public Entity Liability Insurance Program)		
Cash Receipts:		
Investment income	<u>\$ 1,204,455.71</u>	<u>\$ 776,728.28</u>

(Continued)

## WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE, CONTINUED

For the Ten Months Ended April 30, 1991 and the Year Ended June 30, 1990

	Ten Months Ended April 30, <u>1991</u>	Year Ended June 30, <u>1990</u>
Transfers in (out):		
Transfer from related Account 8275-10	<u>1,450,000.00</u>	<u>3,400,000.00</u>
Beginning fund balance	<u>15,459,700.49</u>	<u>11,282,972.21</u>
Ending fund balance	<u>\$18,114,156.20</u>	<u>\$15,459,700.49</u>
<u>Underground Tank Insurance Trust</u>		
<u>Fund - Account N105-04</u>		
Cash Receipts:		
Investment income	<u>\$ 31,228.18</u>	<u>\$ -</u>
Transfers in (out):		
Transfer from related Account 8275-11	<u>1,330,000.00</u>	<u>-</u>
Beginning fund balance	<u>-</u>	<u>-</u>
Ending fund balance	<u>\$ 1,361,228.18</u>	<u>\$ -</u>

Released 1-6-92