

Master

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

FOR THE PERIOD

JULY 1, 1989 - JUNE 30, 1991



OFFICE OF LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

FOR THE PERIOD

JULY 1, 1989 - JUNE 30, 1991

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance



Legislative Post Audit Division
Building 5, Room 751A
Capitol Complex

Phone 558-2154
Area Code 304

CHARLESTON, WEST VIRGINIA 25305

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 60, Article 2, Section 21, as amended, we have examined the accounts of the West Virginia Alcohol Beverage Control Commissioner.

Our examination covers the period July 1, 1989 through June 30, 1991. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Theodford L. Shanklin".

Theodford L. Shanklin, CPA, Director
Legislative Postaudit Division

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

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WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

EXIT CONFERENCE

We held an exit conference on January 7, 1994 with the Commissioner, Deputy Commissioners and the Director of Accounting of the West Virginia Alcohol Beverage Control Commissioner and all findings and recommendations were reviewed and discussed. The above officials' responses are included in italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks section of this report.

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

INTRODUCTION

The 21st Amendment of 1933 repealed national prohibition and gave each state the right to make and enforce its own laws governing alcoholic beverages. In 1934, the people of West Virginia repealed a July 1, 1914 amendment to the State's Constitution which made absolute prohibition a part of their law.

The West Virginia Legislature, on February 22, 1935, repealed Chapter 60 of the West Virginia Code providing for the State control of alcoholic liquors; and, as subsequently amended by Senate Bill No. 294 passed March 8, 1935, created the West Virginia Liquor Control Commission. The West Virginia Liquor Control Commission was abolished by Acts of the 1957 Legislature, C.5, which created the office of the West Virginia Liquor Control Commissioner. The latter office was abolished by Acts of the 1965 Legislature, C.8, which act created the office of the West Virginia Alcohol Beverage Control Commissioner and transferred to him all powers and authority vested in the former commissioner.

The purpose of Chapter 60 of the West Virginia Code is to give effect to the mandate of the people expressed in the repeal of the State prohibition amendment; and to be public policy of the State to regulate and control the manufacture, sale, distribution, transportation, storage and consumption of alcoholic liquors and, at the same time, to assure the greatest degree of personal freedom consistent with the health, safety, welfare, peace and good morals of the people of this State. To these ends the police power of the

State is pledged to the sound control and temperate use of alcoholic liquors.

The Acts of the 1990 Legislature, C.9, established Article 3A, Chapter 60 of the West Virginia Code to be known as the "State Retail Liquor License Act". This act declares that the sale of liquor at retail should no longer be by the State, but rather by retail licensees; that there is a need for the State to control the wholesale sales of liquor; that the health and welfare of the citizens of the State will be adequately protected by the licensing and control of such retail licensees; that the sale of liquor through retail licensees will satisfy reasonable consumer concerns of availability and price; and, that the operation and efficiency of State government will be improved by removing the State from the retail sale of liquor.

The purpose of this act is to continue revenue to the State from the wholesale sale of liquor; provide a system of controls, through limitations on the numbers of retail outlets and application of the police power of the State, to discourage the intemperate use of liquor; preserve and continue the tax base of counties and municipalities derived from the retail sale of liquor; and, obtain for the State financial gain from the issuance of retail licenses.

The main office of the West Virginia Alcohol Beverage Control Commissioner is located at 322 70th Street, Charleston, West Virginia. The warehouse is located at HUB, Nitro, West Virginia.

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER
IMPLEMENTATION OF PRIOR AUDIT RECOMMENDATIONS

In the prior audit covering the year ended June 30, 1989, there were nine recommendations. During the current audit period, we noted that two of these recommendations had not been fully implemented. These recommendations are listed below.

1. Telephone toll slips to document long-distance telephone calls were not implemented and internal control procedures in this area were weak. This recommendation has been made to the Commissioner in the prior two audits for the year ended June 30, 1989 and June 30, 1988. (See pages 38-39.)
2. Some employees at the Alcohol Beverage Control Commissioner continue to use significant amounts of unexcused sick leave. (See pages 30-31.)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

ADMINISTRATIVE OFFICERS AND STAFF

JUNE 30, 1991

Harry G. Camper, Jr Commissioner
(04/16/90 - Present)

E. E. Bryan Commissioner
(01/16/89 - 04/15/90)

Louis A. Smith Assistant Commissioner

Ronald M. Moats Deputy Commissioner

Patricia Holtsclaw Director of Accounting

Ellen Harless Director of Purchasing

Randy Stanley Data Processing Manager

Bill Adkins Director of Enforcement

Glenna Roe Payroll Supervisor

Carl Linville Warehouse Director

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

Sale of Discounted Liquor Inventory

1. The agency did not collect \$77,460.90 and \$11,074.60 from the sale of discounted liquor inventory to two private retailers in noncompliance with the Legislative Regulations. Subsequent to our inquiry, the Commissioner collected the \$77,460.90; however, we believe the Commissioner is still due the \$11,074.60. In addition, we believe the State lost approximately \$7,100.00 in interest revenue by not collecting these amounts at the time of sale.

We recommend the Commissioner pursue the collection of the \$11,074.60 and any accrued interest resulting from the late payments.

Agency's Response

We will comply with this audit recommendation. (See pages 16-18.)

Late Payment for Liquor Sold to Private Retailers

2. The agency failed to collect \$15,300.00 for a liquor order placed by a private retailer. After our inquiry, the Commissioner collected the outstanding amount due of \$15,300.00. We believe the State lost approximately \$1,200.00 in interest revenue. We also noted that the agency did not deposit \$254,437.28 of collections received from inventory sales to 54 retailers within 24 hours as required by the West

Virginia Code. Failure to deposit funds timely results in lost interest earnings for the State.

We recommend the Commissioner pursue the collection of \$1,200.00 in interest due the State and deposit all collections within 24 hours.

Agency's Response

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

Payment of Salary Before Services Had Been Rendered

3. Sixteen employees appeared to have their overtime hours earned in November, 1990 submitted twice for payment by the agency's timekeeper. Our analysis revealed that these employees received duplicate overtime payments totaling \$4,386.34. We believe the Commissioner should examine all overtime payments made to employees during the audit period. Also, two former employees were overpaid a total of \$357.33 and two former employees were underpaid a total of \$181.32 due to errors in the accrual of annual leave.

We recommend the Commissioner attempt to collect the overpayments totaling \$4,743.67. In addition, we recommend the Commissioner take the necessary steps to compensate the two employees for the underpayments totaling \$181.32. Also, we recommend the Commissioner review all personal service expenditures made during the audit period to insure no other duplicate overtime payments and calculation errors occurred.

Agency's Response

We will comply with this audit recommendation. (See pages 20-23.)

Telephone Toll Slips

4. As disclosed in our prior two audits, the agency had not utilized telephone toll slips to document long-distance telephone calls. We were unable to determine the nature of 978 long-distance calls totaling \$457.62. Subsequent to our review, \$121.37 was reimbursed by employees for personal telephone calls. If the agency had implemented telephone toll slips, the nature of 538 unidentified calls costing \$295.11 could have been explained.

We recommend the Commissioner strengthen internal controls in the area of employee use of the telephone system and utilize telephone toll slips to document long-distance telephone calls.

Agency's Response

We will comply with this audit recommendation. (See pages 38-39.)

Review of DAIN Long-Distance Telephone Listings

5. Our review of the DAIN long-distance telephone listings indicated that as of December 1992, the agency was paying for 17 telephone extensions which were originally used by the State liquor stores. However, the majority of these stores

were closed by June 1991 but the agency has continued to be billed for these extensions. As noted on the December 1992 DAIN listing, total monthly cost charged to the agency was \$565.83 of which \$322.73 was attributed to the 17 extensions not utilized by the agency.

We recommend the Commissioner strengthen internal controls in the area of review of the long-distance telephone billings and determine if the agency is due refunds from other parties for calls from the aforementioned 17 extensions.

Agency's Response

We will comply with this audit recommendation. (See pages 39-40.)

Annual Retail License Fees

6. The agency collected \$1,686.70 for the annual retail license fees from three retailers; however, retailers are only required by statute to pay the annual fee if the retailer had a retail outlet in operation. Therefore, it appears that the three retailers are due refunds because they had no retail outlets in operation. Also, four retailers were overcharged \$3,636.48 for the annual fees due to agency calculation errors. We believe the agency should refund these overcharges.

We recommend the Commissioner refund \$5,323.18 in collections to the private retailers due to payments for fees when no outlets were in operation and other calculation errors.

Agency's Response

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

Bailment Warehouse Fees

7. The agency did not invoice the liquor suppliers for \$1,100.00 of warehouse fees for coding charges. Also, it appears the agency invoiced some suppliers twice for the same warehouse fees. The agency became aware of the duplicate billings and credited the supplier's accounts. However, no accounts receivable ledgers exist because of computer failure and we were unable to quantify the duplicate billings or ascertain if the proper credits were made. In addition, a supplier paid a \$54.00 invoice twice and we believe this supplier may be due a refund for \$54.00. Finally, suppliers failed to pay the warehouse fees due the State in a timely manner. The \$44,679.00 of invoices tested were paid, on average, 51 days late which resulted in the State losing approximately \$400.00 in interest revenue.

We recommend the Commissioner attempt to collect the \$1,100.00 of service charges due the State and determine whether the other supplier is due a refund of \$54.00.

Agency's Response

We will comply with this audit recommendation. (See pages 27-30.)

Underpayment of Annual Increment

8. Two former employees were undercompensated \$460.21 and \$263.02, respectively, in annual increment payments. These former employees were not credited for all service time earned by them due to an apparent oversight by agency personnel. The annual increment payments commenced on July 1, 1985 and the employees' service time errors were repeated in subsequent years which resulted in the cumulative underpayment of \$723.23.

We recommend the Commissioner take the necessary steps to correct these underpayments.

Agency's Response

We do not agree with this audit finding. (See pages 31-33.)

Shipping Merchandise Before Receipt of Payment

9. We determined that merchandise totaling \$180,726.29 was shipped to 29 retailers before payments were received. On average, the payments for the preceding orders were received approximately three days after the scheduled shipping day.

We recommend the Commissioner receive payment for liquor orders from retailers before the merchandise is shipped.

Agency's Response

We will comply with this audit recommendation. (See pages 35-36.)

Bailment Inventory

10. From the bottle codes selected for testing, we noted various adjustments to inventory amounts for which supporting documentation was not available and bottle codes which had negative beginning balances. Upon inquiry with agency personnel, it appears the agency was experiencing computer problems during the transition period of converting to bailment which led to inaccuracies in the Merchandise Stock Ledger.

We recommend the Commissioner maintain accurate perpetual computer inventory records.

Agency's Response

We have complied with this audit recommendation. (See pages 34-35.)

Employee Travel Expenses

11. Two employees of the agency had their homes designated as headquarters for the purpose of travel reimbursement. We believe that since these employees spent more than 25% of their work time in Charleston, West Virginia, the employees' headquarters should have been designated as Charleston. The two employees' travel expenses for the substantial period of time spent in Charleston totaled \$8,949.38 and \$13,104.36, respectively.

We recommend the Commissioner designate employees' headquarters in accordance with the Governor's Travel Regulations.

Agency's Response

We will comply with this audit recommendation. (See pages 23-25.)

Employee Sick Leave

12. We identified 26 employees who appeared to have a high usage of sick leave. Our analysis revealed that, on average, each employee selected for testing used 21.67 days of unexcused sick leave during the two-year period under audit. The approximate cost of the unexcused sick leave for the 26 employees totaled \$38,781.32.

We recommend the Commissioner review employees' sick leave records for possible abuse, and if abuse is indicated, request appropriate substantiation of the employee's claim for leave such as verification of illness of less than three days.

Agency's Response

We will comply with this audit recommendation. (See pages 30-31.)

Compensatory Leave Granted in Lieu of Overtime Payments

13. The agency granted compensatory time off to employees who we believe should have been paid overtime because they were covered by the West Virginia Minimum Wage and Maximum Hour

Law. We noted 12 such employees who received compensatory time valued at approximately \$8,300.00.

We recommend the Commissioner pay overtime to employees who are covered by the West Virginia Minimum Wage and Maximum Hour Law.

Agency's Response

We have complied with this audit recommendation. (See pages 33-34.)

Calculation Errors in Sick Leave Accruals

14. Six employees had calculation errors in sick leave accruals resulting in overstated and understated balances of 23.22 hours and (70.23) hours, respectively.

We recommend the Commissioner strengthen internal controls in the area of recording and accrual of employee sick leave. Also, we recommend the Commissioner make the necessary adjustments to the employees' sick leave balances.

Agency's Response

We will comply with this audit recommendation. (See page 40.)

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the West Virginia Alcohol Beverage Control Commissioner. The audit covered the period July 1, 1989 through June 30, 1991.

GENERAL REVENUE ACCOUNTS

The following accounts were utilized by the West Virginia Alcohol Beverage Control Commissioner solely for the depositing of liquor profits, licenses and permit fees and wine gallonage taxes into the State General Revenue Fund:

<u>Number</u>	<u>Description</u>
6350-80	Transfer of Liquor Profits
6350-81	Private Liquor Store License
6350-83	Wine Gallonage

SPECIAL REVENUE ACCOUNTS

All expenditures required for the general operation of the West Virginia Alcohol Beverage Control Commissioner are made from the following special revenue accounts:

<u>Number</u>	<u>Description</u>
8591-06	Wine License Special Fund
9270-00	Personal Services
9270-05	Refunds
9270-06	Purchase of Liquor
9270-07	Transfer of Liquor Profits and Taxes
9270-08	Transfer Private Liquor Store License
9270-22	Purchase of Lottery Tickets
9270-34	Unclassified
9270-35	Employee Benefits
9270-66	Annual Increment
9270-79	Claims Against the State
9270-99	Cash Control

During fiscal year 1991, the Alcohol Beverage Control Commissioner's Wine License Special Fund began operating from the following accounts:

<u>Number</u>	<u>Description</u>
8592-00	Personal Services
8592-01	Current Expenses
8592-02	Repairs and Alterations
8592-35	Employee Benefits
8592-66	Annual Increment
8592-78	Refunds
8592-99	Cash Control

COMPLIANCE MATTERS

Chapter 60 of the West Virginia Code generally governs the West Virginia Alcohol Beverage Control Commissioner. We tested applicable sections of the above, plus general State regulations and other applicable chapters, articles and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are discussed below.

Sale of Discounted Liquor Inventory

Title 175, Series 1, Section 4.6.1 of the Alcohol Beverage Control Commissioner's Legislative Regulations regarding the sale of alcoholic liquors to retailers and the appropriate method of paying for these liquors, states,

"The licensed retailer is required to pay for the alcoholic liquors prior to delivery of such liquor into the retail liquor store. Payment must be made by an electronic funds transfer which will be initiated by the ABCC on the business day following the retailer's order day, or by a money order, certified check or cashier's check which must be received at the ABCC at least twenty-four (24) hours prior to shipping of the alcoholic liquors."

Our test of receipts generated from the sale of discounted liquor inventory made to private retailers during the divestiture of State-owned liquor stores showed that moneys due the

State were not always collected. Specifically, inventories at ABCC Stores No. 40 and 138, valued at \$76,374.62 and \$1,086.28, respectively, were obtained by the same private retailer on January 9, 1991. However, the Commissioner did not receive payment of the total amount due of \$77,460.90 until May 28, 1992 following our inquiry of agency personnel which was some 16 months after the retailer obtained the inventory. We believe the State lost approximately \$5,500.00 in interest revenue.

In addition, our examination showed that \$11,074.60 of discounted liquor inventory from ABCC Store No. 186 was obtained by another private retailer on October 10, 1990. However, we were unable to locate the deposit of moneys received from this sale. In turn, we asked agency personnel to locate the deposit but they were unsuccessful. We believe the Commissioner is still owed the \$11,074.60 plus accrued interest of approximately \$1,600.00 as of September 30, 1993.

We recommend the Commissioner comply with Title 175, Series 1, Section 4.6.1 of the Legislative Regulations. Further, we recommend the Commissioner pursue the collection of any and all moneys due the State, including accrued interest, as a result of these late payments.

Agency's Response

The two incidents cited in the report occurred due to a breakdown in the established internal control system. The ABCA will pursue, where appropriate, the collection of interest due on the late payment for the merchandise from stores #40. The ABCA has not been able to determine if payment for the inventory from Store

#186 has been received due to the fact that the purchaser is a large corporation that makes electronic fund transfers to the state in a lump sum manner. However, an effort is being made to confirm with the purchaser if they have documentation that would indicate that they in fact made the payment. If it is determined that payment has not been made then the ABCA will pursue the collection of the amount due along with the interest.

Late Payment for Liquor Sold to Private Retailers

Title 175, Series 1, Section 4.6.1 of the Alcohol Beverage Control Commissioner's Legislative Regulations regarding the sale of alcoholic liquors to retailers and the appropriate method of paying for these liquors, states,

"The licensed retailer is required to pay for the alcoholic liquors prior to delivery of such liquor into the retail liquor store. Payment must be made by an electronic funds transfer which will be initiated by the ABCC on the business day following the retailer's order day, or by a money order, certified check or cashier's check which must be received at the ABCC at least twenty-four (24) hours prior to shipping of the alcoholic liquors."

Our test of inventory sales to private retailers showed one instance where the agency failed to collect the entire amount due from an order placed by a retailer. Specifically, a private retailer placed an order for 198 cases of liquor valued at \$17,024.40 on April 23, 1991. During our testing, we were unable to locate a receipt in the amount of the liquor sale.

Further review and inquiry of agency personnel revealed the retailer had submitted payment of \$1,724.40 or \$15,300.00 less than the amount due. The retailer had issued a check to the Commissioner which reflected a numerical amount of "\$1724.40" while the written amount was "Seventeen thousand twenty four and 40/100

dollars". The check cleared the retailer's bank at the lower amount but the agency's internal control procedures did not detect the error. After our inquiry, the Commissioner collected the \$15,300.00 due for the liquor on February 3, 1993. Since the policy of the State of West Virginia is to invest all available funds, we believe the State lost approximately \$1,200.00 in interest revenue. The failure to collect the moneys due the State would violate the provisions of Title 175, Series 1, Section 4.6.1 of the Legislative Regulations.

Also, our testing revealed the agency deposited a total of \$254,437.28 received from 54 retailers an average of three days later than called for by Chapter 12, Article 2, Section 12 of the West Virginia Code, as amended, which states in part,

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

The failure to deposit funds timely means moneys are not available for investment and potential interest earnings are lost.

We recommend the Commissioner comply with Title 175, Series 1, Section 4.6.1 of the Legislative Regulations and Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended. Further, we recommend the Commissioner pursue the collection of \$1,200.00 in interest due the State.

Agency's Response

The incidents cited in the report occurred due to the non-adherence to the established internal control system. The ABCA

now receives the vast majority of all payments by licensed retailers via electronic fund transfers (EFTs). The use of EFTs ensure that the State of West Virginia receives payment for all liquor prior to shipment. Those retailers that do not use EFTs must pay by certified check or money order prior to shipment. The ABCA will pursue, where appropriate, the collection of interest due the state.

Payment of Salary Before Services Had Been Rendered

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

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

Our examination revealed 16 employees were paid twice for the same overtime hours. Our analysis of the situation indicated these duplicate overtime payments occurred at roughly the same time the agency was divesting the State-owned liquor stores which was between August 1, 1990 through January 31, 1991. The vast majority of these employees had their jobs terminated due to the divestiture process.

Specifically, we believe the overtime hours worked by these employees during November 1990 were submitted twice for payment by the timekeeper. The following schedule details the duplicate payments:

<u>Employee</u>	<u>Employee Title</u>	<u>Duplicate Overtime Paid</u>
#1	Asst. Store Manager	\$1,069.16
#2	District Manager	732.72
#3	Auditor	492.68
#4	District Manager	457.95
#5	Auditor	449.76
#6	Auditor	404.55
#7	Utility Worker	192.34
#8	Auditor	141.75
#9	District Manager	93.23
#10	District Manager	85.65
#11	Utility Worker	66.68
#12	Utility Worker	64.56
#13	Cashier	52.48
#14	Director of Stores	35.46
#15	Clerk	34.02
#16	Clerk	<u>13.35</u>
Total Duplicate Overtime Paid		<u>\$4,386.34</u>

We believe the overpaid salaries would violate the statute because salaries were paid but the services had not yet been rendered.

In addition, our test of annual leave for employees showed two employees were overpaid and two other employees underpaid due to errors in annual leave accruals at the end of their employment. The following schedule shows the results of the testing related to these four employees:

<u>Employee</u>	<u>Ending Hourly Balance Per Audit</u>	<u>Ending Hourly Balance Per Agency</u>	<u>Agency Balance Over/(Under) Audited Balance</u>	<u>Hourly Wage Rate</u>	<u>Over/(Under) Payment</u>
#1	197.43	208.00	10.57	\$5.34	\$56.44
#2	402.92	439.93	37.01	\$8.13	\$300.89
#3	227.58	210.75	(16.83)	\$8.60	(\$144.74)
#4	274.88	270.33	(4.55)	\$8.04	(\$36.58)

These employees had separated from employment with the agency as of the close of our audit. Accordingly, the Commissioner paid these employees for their ending annual leave balances resulting in the underpayments and overpayments. We believe the

overpayments would violate the statute because salaries were paid but the services had not yet been rendered.

We believe the Commissioner should examine all overtime payments made to employees during the audit period. A review of this type would disclose whether other duplicate overtime payments or other calculations errors regarding payroll occurred.

We recommend the Commissioner comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, and attempt to collect the overpayments totaling \$4,743.67. In addition, we recommend the Commissioner take the necessary steps to compensate the remaining two employees for the underpayments of \$144.74 and \$36.58, respectively. Also, we recommend the Commissioner review all personal service expenditures made during the audit period to insure no other duplicate overtime payments and calculation errors occurred.

Agency's Response

The payment of duplicate overtime to sixteen employees resulted from a breakdown in the internal control system. This isolated event occurred due to a temporary employee working in the payroll department. The ABCA has changed the method of reporting and calculating the overtime due to employees. This change allows for an opportunity to check the overtime for accuracy before payment is made to the employee.

The ABCA has completed an audit of overtime payments for the period in question. The internal audit found no additional problems in the payment of overtime to employees. The ABCA will pursue, where appropriate, the collection of overtime from the

former employees. In the case of underpayment the ABCA will inform the former employees of their right to seek compensation.

Employee Travel Expenses

In defining an employee's headquarters for purposes of charging employee travel expenses, the Governor's Travel Regulations in effect during the audit period stated in part,

"...For purposes of travel reimbursement, each employee of the State of West Virginia shall have a designated work place as his official headquarters. Each department head will designate such location for his or her employees. An employee's home may be designated as his headquarters only if there is no other location where he performs more than 25 percent of the total of his work effort for the State. If the employee has one location where over 25 percent of his time is spent, this place will be considered his headquarters for travel expense purposes...."

Our examination of employee travel expenses revealed two employees, a store auditor and a special investigator, had their homes designated as their official headquarters when substantially more than 25 percent of their work time was spent in Charleston, West Virginia.

Specifically, the store auditor spent approximately eight months during the period August 1, 1990 through March 22, 1991 assigned to the agency headquarters in Charleston, West Virginia to aid in the divestiture process. During this time, the employee's official headquarters was Ona, West Virginia and travel expenses, including lodging, meals and mileage reimbursement, were paid to the employee as follows:

<u>Month</u>	<u>Hours Worked In Charleston</u>	<u>Total Hours Worked Per Month</u>	<u>Percentage Of Time Spent In Charleston</u>	<u>Travel Expenses Paid While in Charleston</u>
August, 1990	112.00	215.50	51.97%	\$472.74
September, 1990	205.75	222.00	92.68%	1,057.27
October, 1990	324.25	341.25	95.02%	1,407.16
November, 1990	205.50	205.50	100.00%	870.22
December, 1990	259.50	259.50	100.00%	1,085.25
January, 1991	304.50	304.50	100.00%	1,780.12
February, 1991	231.25	250.50	92.32%	1,204.32
March 1-22, 1991	181.25	181.25	100.00%	<u>1,072.30</u>
				<u>\$8,949.38</u>

Also, we noted a special investigator, whose official headquarters was Clarksburg, West Virginia, was paid travel expenses while working substantially more than 25 percent of his work time in the Charleston, West Virginia area. The following schedule summarizes the hours worked in the Charleston area and related expenses paid to this employee during fiscal years 1990 and 1991:

<u>Fiscal Year</u>	(a) <u>Days Worked In Charleston</u>	(b) <u>Total Number of Work Days</u>	(a/b) <u>Percentage of Time Spent in Charleston</u>	<u>Travel Expenses Paid While in Charleston</u>
1990	145	260	55.77%	\$6,978.36
1991	<u>127</u>	<u>260</u>	48.85%	<u>6,126.00</u>
	<u>272</u>	<u>520</u>	<u>52.31%</u>	<u>\$13,104.36</u>

We believe the travel expense payments for the two aforementioned employees totaling \$8,949.38 and \$13,104.36, respectively, were not in compliance with the Governor's Travel Regulations. More than 25 percent of their work time was spent in the Charleston, West Virginia area for an extended period of time and we found no evidence than an exemption to the 25 percent rule

was approved by the Governor. Therefore, we believe Charleston, West Virginia should have been their official headquarters for purposes of charging travel expenses.

We recommend the Commissioner comply with the Governor's Travel Regulations.

Agency's Response

The ABCA failed to request a waiver from the Governor's Travel Office for two employees who lived in areas other than Charleston while they were assigned to the Charleston office on special assignment. Had the travel exemption been requested and granted the travel expenses would have been within the travel guidelines established by the state.

The ABCA will comply with the Governor's Travel Regulations in determining the proper payment to be made for travel expenses.

Annual Retail License Fees

Chapter 60, Article 3A, Section 12 of the West Virginia Code states in part,

"...The annual retail license fee for a Class A retail license shall be the sum obtained by multiplying the number of retail outlets operated by the retail licensee in the market zone to which such Class A retail license applies by one thousand five hundred dollars. The annual retail license fee for a Class B retail license shall be five hundred dollars. The annual retail license fee for the initial year of issuance shall be prorated based on the number of days remaining between the date of issuance and the following thirtieth day of June...."

During our examination of annual retail license fees, we noted that licensing fees were collected from licensees who did not have retail outlets in operation. Our inquiry with agency personnel revealed the agency was requesting payment of the annual

retail license fee when a license holder sold or transferred the license to another party even where the original license holder was operating no retail outlets. Subsequently, the agency changed the procedure to comply with the governing statute. The following schedule reflects the refunds we believe are due retailers due to the inappropriate procedure:

<u>Retailer</u>	<u>Zone Number</u>	<u>License Type</u>	<u>Amount of Refund Due Retailer</u>
#1	40	A	\$1,125.00
#2	73	B	354.83
#3	76	A	<u>206.87</u>
			<u>\$1,686.70</u>

Further, it appears several retailers were overcharged for license fees due to calculation errors. Specifically, we noted the following refunds we believe are due retailers because of these errors:

<u>Retailer</u>	<u>Zone Number</u>	<u>License Type</u>	<u>Number of Retail Outlets</u>	<u>Amount of Refund Due Retailer</u>
#1	67	A	1	\$534.58
#2	Various	A	13	-0-
		B	2	2,000.00 *
#3	49	B	1	415.95
#4	77	A	1	<u>685.95</u>
				<u>\$3,636.48</u>

* Retailer was charged for a Class A license in a Class B zone during fiscal years 1992 and 1993.

We recommend the Commissioner comply with Chapter 60, Article 3A, Section 12 of the West Virginia Code. Also, we

recommend the Commissioner take the necessary steps to refund the \$5,323.18 in license fee overcharges.

Agency's Response

The ABCA will inform the retailers of their right to pursue refunds for overpayment on retail license fees.

Bailment Warehouse Fees

Title 175, Series 6, Section 11 of the Alcohol Beverage Control Commissioner's Legislative Regulations filed on June 26, 1990, states in part,

"Suppliers doing business with ABCC under the bailment inventory system will be charged for routine warehousing services, such charges will be due and owing at the time the product is delivered to the ABCC warehouse. The amount of such charges will be imposed by administrative notices filed in the State Register.

ABCC may also impose handling fees when extra services are performed. Examples of extra services and charges are as follows:

<u>SERVICE</u>	<u>CHARGE*</u>
Recouping damaged cases	\$2.00 per case
Supplying cartons for damaged cases	Cost of materials
Relabeling or recoding cases	\$1.00 per case
Restacking or hand unloading pallets	\$15 per pallet
Loading cases for return to supplier	\$10 per pallet- minimum of \$50
Return of cases from stores to ABCC Warehouse	\$3.00 per case

*Note: Charges are subject to change with ninety days' notice by ABCC, such notice to be filed in the State Register...."

Our examination of bailment warehouse fees showed the August 1, 1990 warehouse receiving report reflected a shipment from a supplier which resulted in an additional pallet charge of \$15.00 and coding charges of \$899.00. However, the agency did not bill the supplier for the additional \$914.00 in charges.

A letter to the Commissioner dated July 31, 1990 from the supplier formally requested the \$15.00 pallet charge be suspended because the shipment was dispatched before the supplier received notification of the Commissioner's policy on these charges. The Deputy Commissioner told us he approved the suspension of the \$15.00 pallet fee but the \$899.00 in coding charges should have been collected.

Also, we noted the August 15, 1990 warehouse receiving report reflected a shipment from a supplier which resulted in a \$201.00 charge to code cases with labels; however, the agency failed to invoice the supplier for the charges. We believe the failure to charge the supplier was an oversight by agency personnel.

In addition, we learned that the agency's accounts receivable records were lost due to computer failure and a back-up copy of the records was not available. Our test of bailment fee invoices indicated the agency billed a supplier twice for the same \$606.00 of warehouse fees in December 1990 which the supplier paid. Further review by us indicated other suppliers received duplicate billings for December 1990 which they paid. We discussed these duplicate billings with the Director of Accounting and she told us the agency was aware of the problem and the suppliers' accounts had been credited for all duplicate payments. However, the lack of subsidiary accounts receivable ledgers for suppliers made it impossible to quantify the duplicate payments received and determine if proper credits were made.

Plus, we noted the agency billed the same supplier for \$317.20 when the proper charge should have been \$371.20 resulting in an underbilling of \$54.00. It appears the agency detected the billing error and attempted to bill this supplier for the additional \$54.00. However, the supplier ended up paying the \$54.00 twice resulting in an overpayment. As a result, we believe the supplier may be due a refund of \$54.00.

Lastly, the bailment warehouse fees did not accompany the shipments into the warehouse as instructed in the Commissioner's letter to suppliers dated June 25, 1990 which states in part,

"...The State will charge a bailment fee of sixty cents (\$.60) per case on merchandise that is shipped into bailment inventory, which will commence on July 3, 1990. Payment of this fee must accompany each shipment into the warehouse...."

Instead, the agency invoiced suppliers because it was determined that truck drivers and warehouse personnel should not handle the collection of moneys.

This procedure resulted in supplier failing to pay warehouse fees due the State in a timely manner. After allowing suppliers thirty days to pay amounts due, we noted that \$44,679.00 of invoices tested were paid, on average, 51 days late. We estimate the State lost interest revenue of approximately \$400.00 due to these late payments.

We recommend the Commissioner comply with Title 175, Series 6, Section 11 of the Legislative Regulations. Further, we recommend the Commissioner attempt to collect the \$1,100.00 of service charges due the State and determine whether the other supplier is due a refund of \$54.00.

Agency's Response

The ABCA will pursue, where appropriate, those fees not collected from distillers for bailment fees due. The ABCA has developed a new method that ensures that all bailment fees are collected by the ABCA in a timely manner. The new system calculates the bailment fee due at the time the inventory is received in the warehouse. The amount due is recorded in a subsidiary ledger in the Accounts Payable account. At the time of payment by the ABCA to the distiller the amount due the ABCA is deducted from the bill due the distiller. The net amount is then paid to the distiller.

Employee Sick Leave

Section 16.05 of the West Virginia Civil Service System's Administrative Rules and Regulations state,

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

In order to identify employees who utilized a significant amount of sick leave, we reviewed the sick leave records of employees for the two-year period under audit. In conducting this type of review, we attempt to identify employees who use a high percentage of sick leave without submitting a doctor's excuse or an employee who exhibits a pattern of taking sick leave before or after a holiday, weekend or a scheduled day off.

Our review identified 26 current employees who appeared to have a high usage of sick leave. We performed an analysis of sick leave usage for 12 of the 26 employees and determined that

each of these employees utilized significant amounts of unexcused sick leave. The results of our testing are summarized below:

<u>Number of Employees Tested</u>	<u>Total Hours of Sick Leave Taken</u>	<u>Total Hours of Excused Sick Leave</u>	<u>Total Hours of Unexcused Sick Leave</u>	<u>Cost of Unexcused Sick Leave</u>
12	2,784.86	705.00	2,079.86	\$17,899.07

Based upon the above schedule, we projected the results of our testing to the total population of 26 employees. We determined that, on average, each employee selected for testing used 173.32 hours or 21.67 days of unexcused sick leave at an approximate cost of \$1,491.59. Utilizing the total population of 26 and the average cost per employee of \$1,491.59, it appears that the State paid approximately \$38,781.32 for unexcused sick leave during the two-year period under audit.

We recommend the Commissioner review employees' sick leave records for possible abuse, and if abuse is indicated, apply the provisions of Section 16.05 of the Civil Service System's Administrative Rules and Regulations.

Agency's Response

The ABCA Commissioner will review employee sick leave and if abuse is suspected appropriate action will be taken in accordance with Section 16.05 of the Civil Service Administrative Rules and Regulations.

Underpayment of Annual Increment

Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended, dealing with annual increment payments states in part,

"Effective for the fiscal year beginning the first day of July, one thousand nine hundred eighty-five, every eligible employee with three or more years of service shall receive an annual salary increase equal to thirty-six dollars times the employees' years of service, not to exceed twenty years of service. In each fiscal year thereafter and on the first day thereof, each such employee shall receive an annual increment increase of thirty-six dollars for such fiscal year...."

Further, those employees eligible for the annual increment are defined in Chapter 5, Article 5, Section 1 of the West Virginia Code, as amended, which states in part,

"For the purposes of this article: (1) 'Eligible employee' means any regular full-time employee of the state or any spending unit thereof who is eligible for membership in any state retirement system of the state of West Virginia or other retirement plan authorized by statute ... (3) 'spending unit' means any state office, department, agency, board, commission, institution, bureau or other designated body authorized to hire employees."

Our examination of annual increment payments revealed two former employees whom we believe were undercompensated. Based on the information available to us, these former employees were not given credit for all countable service time earned by them. It appears only the continuous service with the Alcohol Beverage Control Commissioner was considered due to an apparent oversight by agency personnel. Since these types of payments commenced on July 1, 1985, the errors were repeated in subsequent years when the payment calculations were made. We determined the cumulative underpayments of annual increment for these two former employees totaled \$460.21 and \$263.02, respectively.

We recommend the Commissioner comply with Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended. Also, we recommend the Commissioner take the necessary steps to correct these underpayments.

Agency's Response

The ABCA, upon review of the personnel files of the two employees in question, has determined that the employees didn't indicate in their personnel records that they had any additional state employment that would be countable in determining the proper increment to be paid. The ABCA appears to have correctly computed the annual increment based upon the available information.

Compensatory Leave Granted in Lieu of Overtime Payments

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

"(a) On and after the first day of July, one thousand nine hundred eighty, no employer shall employ any of his employees for a workweek longer than 40 hours, unless such employee receives compensation for his employment in excess of the hours above specified at a rate of not less than one and one-half times the regular rate at which he is employed...."

Further, the term "employee" is defined in Chapter 21, Article 5C, Section 1 of the West Virginia Code, as amended, which states in part,

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

We noted that compensatory time off was being granted to employees who we believe should have been paid overtime because they were covered by the West Virginia Minimum Wage and Maximum Hour Law. We noted a total of 12 such employees during the course of our payroll testing who had received compensatory time valued by us at approximately \$8,300.00.

The agency's policy was to give employees the option of receiving compensatory time off or overtime pay for hours worked in

excess of 40 hours per workweek. In cases where the employee opted for compensatory time off, the leave was granted at the rate of one and one-half times the hours worked in excess of the normal 40-hour workweek. While the agency's policy is allowable under the United States Fair Labor Standards Act, we believe the West Virginia Minimum Wage and Hour Law as set forth in Chapter 21, Article 5C of the West Virginia Code requires such employees to be paid overtime.

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

Agency's Response

The ABCA no longer grants compensatory time to covered employees; therefore, the ABCA is in compliance with Chapter 21 Article 5C Section 3 of the West Virginia Code.

Bailment Inventory

Title 175, Series 6, Section 13.1 of the Legislative Regulations states,

"The ABCC is responsible for maintaining the accuracy of the perpetual computer inventory records. All transactions affecting the files are checked and verified for accuracy daily."

For fiscal year 1991, we noted in our test of the bailment inventory system that the system was apparently not functioning properly. We reviewed the Merchandise Stock Ledger and noted that of the bottle codes selected for testing, one bottle quantity amount contained adjustments for which supporting documentation was not available and one bottle code contained a beginning balance of negative 12 bottles. Upon further review of the Merchandise Stock Ledgers, we noted numerous adjustments to bottle quantity amounts.

According to agency personnel, no adjustments should have been made to bottle quantity amounts during this period. However, it appears the data processing department was experiencing computer problems during the transition period of converting to the bailment system, and management asserts that these problems led to the adjustments and negative beginning balances for certain bottle codes.

We recommend the Commissioner comply with Title 175, Series 6, Section 13.1 of the Legislative Regulations by maintaining an accurate bailment inventory system.

Agency's Response

The ABCA computer system used during the audit period was not adequate to properly record inventory. The ABCA has upgraded the computer system and at this time proper inventory records are reported. The internal control system employed for the physical inventory has also been improved. Presently the inventory is completed every quarter and that count is balanced with the inventory reported in the computerized perpetual inventory as reported on the ABCA general ledger.

Shipping Merchandise Before Receipt of Payment

Legislative Regulation, Title 175, Series 1, Section 4.6.1 states,

"The licensed retailer is required to pay for the alcoholic liquors prior to delivery of such liquors into the retail liquor store. Payment must be made by an electronic funds transfer which will be initiated by the ABCC on the business day following the retailer's order day, or by a money order, certified check or cashier's check which must be received at the ABCC at least twenty-four (24) hours prior to shipping of alcoholic beverages."

During our test of receipts from the sale of merchandise to retailers, we noted several instances in which liquor orders were taken and the merchandise shipped before payment was made by the retailers. We determined that merchandise totaling \$180,726.29 was shipped to 29 retailers before payments were received. On average, the payments for the preceding orders were received approximately three days after the scheduled shipping day. We believe the shipping of merchandise before receipt of payment is in noncompliance with Title 175, Series 1, Section 4.6.1 of the Legislative Regulations.

We recommend the Commissioner comply with Title 175, Series 1, Section 4.6.1 of the Legislative Regulations.

Agency's Response

The ABCA has instituted electronic fund transfers (EFTs) to receive payments from retail licensees. Those licensees that do not make use of EFTs must pay with an approved method of payment before any shipment is made. The ABCA will comply with the Title 175, Series 1, Section 4.6.1 of the Legislative Regulation.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

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

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

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

Our study and evaluation of the system of internal accounting control for the period July 1, 1989 to June 30, 1991, which was made for the purpose set forth in the first paragraph

above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed conditions that we believe to be weaknesses. These weaknesses are discussed below.

Telephone Toll Slips

Our previous two audits of the Alcohol Beverage Control Commissioner noted weaknesses in the controls over long-distance telephone calls. Since the agency had not implemented our recommendation to strengthen controls over employee use of the telephone, we attempted to schedule all long-distance telephone calls billed to two agency extensions. We were unable to determine the nature of 978 long-distance telephone calls totaling \$457.62 billed to these extensions.

At our request, the agency determined that \$121.37 of these calls were made by employees relating to personal matters which had not been reimbursed and the purpose of \$295.11 of calls could not be identified. If the agency had implemented our prior audit recommendation to maintain telephone toll slips, the purpose of these calls could have been determined. The agency's explanation of the 978 calls follows:

<u>Purpose of Telephone Call</u>	<u>Extension 558-2461</u>		<u>Extension 558-2464</u>	
	<u>Number of Calls</u>	<u>Cost</u>	<u>Number of Calls</u>	<u>Cost</u>
Business	0	\$-0-	109	\$41.14
Personal	323	118.46	8	2.91
Unidentified	<u>460</u>	<u>269.40</u>	<u>78</u>	<u>25.71</u>
	<u>783</u>	<u>\$387.86</u>	<u>195</u>	<u>\$69.76</u>

We noted that \$118.46 was paid by an employee on April 20, 1993 as reimbursement for 323 personal calls identified as having been made from Extension 558-2461. Also, the agency stated

that \$2.91 was reimbursed for eight personal calls made from Extension 558-2464.

We recommend the Commissioner strengthen internal controls in the area of employee use of the telephone system.

Agency's Response

The ABCA will institute a system of internal control that will ensure that any personal long distance call made by agency personnel will be billed to the employee and collected by the agency.

Review of DAIN Long-Distance Telephone Listings

We noted in our test of telephone and inquiry with agency personnel that as of December, 1992, the Commissioner was paying for 17 telephone extensions listed on the DAIN reports which were not utilized by the agency. It appears these extensions were originally used by the State liquor stores and, upon their closure, have continued to be billed to the Commissioner.

The results of our testing indicate that the total DAIN cost charged to the Commissioner for the month of December, 1992 totaled \$565.83. Of this cost, \$322.73 was attributed to the 17 extensions which were not used by the agency. We also noted that the agency could not locate the DAIN listings for July 13, 1991 through November 12, 1991 and May 13, 1992 through November 12, 1992. Therefore, it appears that there is a weakness in the internal control procedures for reviewing the DAIN long-distance telephone listings.

We recommend the Commissioner strengthen the internal controls in the area of review of the long-distance telephone

billings. Further, we recommend the Commissioner determine whether the agency may be due refunds from other parties related to calls made from these 17 telephone extensions.

Agency's Response

The ABCA will investigate the possibility of refunds from the erroneous billing of seventeen lines that are no longer used by the ABCA.

Calculation Errors in Sick Leave Accruals

In our review of sick leave accruals, we noted differences between audited and agency balances for six of the employees selected for testing. It appears that these differences occurred due to agency calculation errors in the leave accruals. These differences resulted in the overstatement or understatement of the sick leave balances as noted in the following schedule:

<u>Employee</u>	<u>Ending Hourly Balance Per Audit</u>	<u>Ending Hourly Balance Per Agency</u>	<u>Agency Balance Over/ (Under) Audited Balance</u>
#1	2,295.19	2,255.55	(39.64)
#2	2,629.56	2,606.90	(22.66)
#3	2,658.58	2,650.65	(7.93)
#4	78.40	92.00	13.60
#5	1,736.90	1,741.98	5.08
#6	1,351.11	1,355.65	4.54

We recommend the Commissioner strengthen internal controls in the area of recording and accrual of employee sick leave. Also, we recommend the Commissioner make the necessary adjustments to the employees' sick leave balances.

Agency's Response

The ABCA will strengthen internal controls in the area of recording accruals of employee sick time. Appropriate adjustments will be made in the employees records.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of cash receipts, disbursements and changes in cash balance of the West Virginia Alcohol Beverage Control Commissioner for the years ended June 30, 1991 and June 30, 1990. The financial statement is the responsibility of the management of the West Virginia Alcohol Beverage Control Commissioner. Our responsibility is to express an opinion on the financial statement based on our audit.

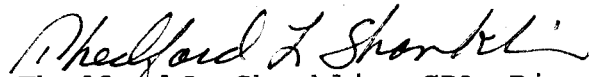
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting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

As described in Note A, the financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenses paid of the West Virginia Alcohol Beverage Control Commissioner for the years ended June 30, 1991 and June 30, 1990, on the basis 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 purposes 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.

Sincerely,



Theodford L. Shanklin, CPA, Director
Legislative Postaudit Division

November 24, 1993

Auditors: Michael E. Sizemore, CPA, Supervisor
Paul E. Deuley
Ellen C. Quillen, CPA
Donna F. Simmers
Jean Ann Waldron
Gary L. Williams

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND

CHANGES IN CASH BALANCE

	<u>Year Ended June 30,</u>	
	<u>1991</u>	<u>1990</u>
Cash Receipts:		
Liquor Sales	\$56,238,693.11	\$59,677,832.00
Less: Purchase of Liquor	<u>33,831,653.37</u>	<u>33,519,034.59</u>
	22,407,039.74	26,158,797.41
Private Liquor Franchise Fees	15,222,715.38	-0-
Private Club Licenses	1,735,409.54	1,512,325.00
Wine Gallonage Tax	979,685.61	1,081,285.51
Wine Licenses and Labels	222,177.00	205,285.00
Commissions and Bonus -		
State Lottery	16,568.00	54,063.00
Miscellaneous	<u>725,832.50</u>	<u>62,802.97</u>
	<u>18,902,388.03</u>	<u>2,915,761.48</u>
	41,309,427.77	29,074,558.89
Disbursements:		
Personal Services	5,452,950.66	6,927,303.80
Employee Benefits	2,282,402.74	2,236,551.98
Current Expenses	3,743,036.43	4,642,417.11
Repairs and Alterations	43,991.96	59,950.98
Equipment	738,991.14	31,911.67
Refunds	21,479.61	33,726.47
Claims Against the State	<u>1,046.81</u>	<u>-0-</u>
	<u>12,283,899.35</u>	<u>13,931,862.01</u>
Cash Receipts Over Disbursements	29,025,528.42	15,142,696.88
Transfers Out:		
State General Revenue Fund	(26,500,000.00)	(3,750,000.00)
Department of Tax and Revenue	(4,546,006.30)	(7,494,682.18)
Division of Human Services	-0-	(650,000.00)
Beginning Balance	<u>8,612,759.80</u>	<u>5,364,745.10</u>
Ending Balance	<u>\$ 6,592,281.92</u>	<u>\$ 8,612,759.80</u>

See Notes to Financial Statement

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policies

Accounting Method: The cash basis of accounting is followed. Therefore, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employee contributions are 4 1/2% of this compensation and employees are vested under certain circumstances. The West Virginia Alcohol Beverage Control Commissioner matches contributions at 9 1/2% of the compensation on which the employee made contributions. The West Virginia Alcohol Beverage Control Commissioner's pension expenditures were as follows:

<u>Year Ended June 30,</u>	
<u>1991</u>	<u>1990</u>
<u>\$468,434.15</u>	<u>\$642,199.30</u>

Note C - Lottery Sales

The West Virginia Alcohol Beverage Control Commissioner acts as a sales agent for the West Virginia Lottery Commission. As compensation, the Alcohol Beverage Control Commissioner is allowed to retain 5% of annual lottery sales. The lottery sales were \$1,081,260.00 and \$331,360.00 in fiscal years 1990 and 1991, respectively. The amounts recognized as liabilities related to amounts subject to transfer to the West Virginia Lottery Commission and reserves for anticipated payouts totaled (\$23,141.52) on June 30, 1990 and \$-0- on June 30, 1991. These amounts are not included in the cash balance on the basic financial statement.

SUPPLEMENTAL INFORMATION

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1991</u>	<u>1990</u>
<u>Transfer of Liquor Profits -</u>		
<u>Account 6350-80</u>		
Beginning Balance:		
State Treasury	\$ -0-	\$ -0-
Cash Receipts:		
Miscellaneous Collections	<u>6,500,000.00</u>	<u>3,750,000.00</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$ 6,500,000.00</u>	<u>\$3,750,000.00</u>
Disbursements:		
Transfers to General Revenue		
Fund of West Virginia	\$ 6,500,000.00	\$3,750,000.00
Ending Balance:		
State Treasury	<u>-0-</u>	<u>-0-</u>
TOTAL CASH ACCOUNTED FOR	<u>\$ 6,500,000.00</u>	<u>\$3,750,000.00</u>
 <u>Private Liquor Store License -</u>		
<u>Account 6350-81</u>		
Beginning Balance:		
State Treasury	\$ -0-	\$ -0-
Cash Receipts:		
Private Liquor Store Licenses	<u>20,000,000.00</u>	<u>-0-</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$20,000,000.00</u>	<u>\$ -0-</u>
Disbursements:		
Transfers to General Revenue		
Fund of West Virginia	\$20,000,000.00	\$ -0-
Ending Balance:		
State Treasury	<u>-0-</u>	<u>-0-</u>
TOTAL CASH ACCOUNTED FOR	<u>\$20,000,000.00</u>	<u>\$ -0-</u>

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1991</u>	<u>1990</u>
<u>Wine Gallonage Tax -</u>		
<u>Account 6350-83</u>		
Beginning Balance:		
State Treasury	\$ -0-	\$ -0-
Cash Receipts:		
Wine Gallonage Tax	<u>979,685.61</u>	<u>1,081,285.51</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$979,685.61</u>	<u>\$1,081,285.51</u>
Disbursements:		
Transfers to General Revenue		
Fund of West Virginia	\$979,633.32	\$1,079,013.93
Refunds	52.29	2,271.58
Ending Balance:		
State Treasury	<u>-0-</u>	<u>-0-</u>
TOTAL CASH ACCOUNTED FOR	<u>\$979,685.61</u>	<u>\$1,081,285.51</u>

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
SPECIAL REVENUE

	Year Ended June 30,	
	1991	1990
<u>Wine License Special Fund -</u>		
<u>Account 8591-06</u>		
Beginning Balance:		
State Treasury	\$130,790.73	\$706,113.52
Cash Receipts:		
Wine Licenses and Labels	-0-	205,285.00
TOTAL CASH TO ACCOUNT FOR	\$130,790.73	\$911,398.52
Disbursements:		
Personal Services	\$ -0-	\$ 30,878.84
Employee Benefits	171.00	8,591.70
Current Expenses	12,283.00	89,337.25
Refunds	300.00	1,800.00
Transfers to West Virginia Division of Human Services	-0-	650,000.00
Transfers to Wine License Special Fund - Account (8592-99)	118,036.73	-0-
	130,790.73	780,607.79
Ending Balance:		
State Treasury	-0-	130,790.73
TOTAL CASH ACCOUNTED FOR	\$130,790.73	\$911,398.52

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER
 STATEMENTS OF APPROPRIATIONS/CASH RECEIPTS
 AND EXPENDITURES/DISBURSEMENTS

	Year Ended June 30,	
	1991	1990
<u>Transfer Private Liquor Store License -</u>		
<u>Account 9270-08</u>		
Cash Receipts	\$20,000,000.00	\$ -0-
Disbursements	<u>20,000,000.00</u>	<u>-0-</u>
Balance	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Purchase of Lottery Tickets -</u>		
<u>Account 9270-22</u>		
Cash Receipts	\$ 210,640.81	\$ 509,641.82
Disbursements	<u>210,640.81</u>	<u>509,641.82</u>
Balance	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Unclassified - Account 9270-34</u>		
Appropriations	\$ 3,746,572.00	\$6,944,634.00
Expenditures:		
Employee Benefits	187.33	847,211.86
Current Expenses	3,089,789.98	4,786,368.17
Repairs and Alterations	47,333.54	57,198.57
Equipment	256,642.12	617,363.61
Refunds	-0-	97.57
	<u>3,393,952.97</u>	<u>6,308,239.78</u>
	352,619.03	636,394.22
Transmittals Paid After June 30	<u>273,338.31</u>	<u>1,468,677.57</u>
Balance	<u>\$ 625,957.34</u>	<u>\$2,105,071.79</u>

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

	<u>Year Ended June 30,</u>	
	<u>1991</u>	<u>1990</u>
<u>Employee Benefits - Account 9270-35</u>		
Appropriations	\$1,772,009.00	\$1,485,134.00
Supplemental Appropriations - Governor	905,257.00	-0-
Refunds	2,659.40	1,147.96
	<u>2,679,925.40</u>	<u>1,486,281.96</u>
Expenditures:		
Personal Services	-0-	27.73
Employee Benefits	2,447,928.06	1,456,329.19
Current Expenses	-0-	28,227.24
	<u>2,447,928.06</u>	<u>1,484,584.16</u>
	231,997.34	1,697.80
Transmittals Paid After June 30	<u>254,980.63</u>	<u>210.00</u>
Balance	<u>\$ 486,977.97</u>	<u>\$ 1,907.80</u>
 <u>Annual Increment - Account 9270-66</u>		
Appropriations	\$ 109,204.00	\$ 200,100.00
Expenditures	<u>109,204.00</u>	<u>153,864.00</u>
	-0-	46,236.00
Transmittals Paid After June 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ -0-</u>	<u>\$ 46,236.00</u>
 <u>Claims Against the State -</u> <u>Account 9270-79</u>		
Appropriations	\$ 1,046.81	\$ -0-
Expenditures	<u>1,046.81</u>	<u>-0-</u>
	-0-	-0-
Transmittals Paid After June 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER
 STATE OF CASH RECEIPTS AND DISBURSEMENTS
 CASH CONTROL - ACCOUNT 9270-99

	<u>Year Ended June 30,</u>	
	<u>1991</u>	<u>1990</u>
Beginning Balance:		
Cash in Bank	\$ 2,166,534.04	\$ 2,025,174.47
Store Change Funds	86,075.00	87,025.00
State Treasury	<u>6,206,218.51</u>	<u>2,579,982.11</u>
	8,458,827.55	4,692,181.58
Cash Receipts:		
Liquor Sales	56,238,693.11	59,677,832.00
Private Liquor Franchise Fees	15,222,715.38	-0-
Private Club License Sales	1,735,409.54	1,512,325.00
Miscellaneous Collections	725,832.50	62,802.97
Commissions and Bonus Income - Lottery Sales	16,568.00	54,063.00
Lottery Sales (Net of Commissions and Payouts)	<u>165,680.00</u>	<u>452,950.30</u>
	<u>74,104,898.53</u>	<u>61,759,973.27</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$ 82,563,726.08</u>	<u>\$66,452,154.85</u>

Year Ended June 30,
1991 1990

Ending Balance:		
Cash in Bank	\$ -0-	\$ 2,166,534.04
Store Change Funds	5,050.00	86,075.00
State Treasury	6,304,382.90	6,206,218.51
	<u>6,309,432.90</u>	<u>8,458,827.55</u>

Disbursements:		
Personal Services	5,300,599.98	6,739,831.72
Employee Benefits	2,448,115.39	2,303,541.05
Current Expenses	3,089,789.98	4,814,595.41
Repairs and Alterations	47,333.54	57,198.57
Equipment	256,642.12	617,363.61
Refunds	20,527.32	29,654.89
Purchase of Liquor	33,831,653.37	33,519,034.59
Transfers to General Revenue Fund	26,500,000.00	3,750,000.00
Transfers to State Tax Dept.	3,498,270.65	6,415,668.25
Transfers to Lottery Commission -		
Purchase of Lottery Tickets	210,640.81	509,641.82
Annual Increment	109,204.00	153,864.00
Claims Against the State	1,046.81	-0-
	<u>75,313,823.97</u>	<u>58,910,393.91</u>

Add Transmittals Paid July 1-31		
Beginning; and (Less) Transmittals		
Paid July 1-31 Ending:		
Personal Services	-0-	2,729.24
(Personal Services)	(99.82)	-0-
Employee Benefits	75,580.77	-0-
(Employee Benefits)	(254,980.63)	(75,580.77)
Current Expenses	795,844.61	534,329.06
(Current Expenses)	(154,883.16)	(795,844.61)
Repairs and Alterations	4,805.65	7,558.06
(Repairs and Alterations)	(8,147.23)	(4,805.65)
Equipment	592,656.94	7,205.00
(Equipment)	(110,307.92)	(592,656.94)
	<u>940,469.21</u>	<u>(917,066.61)</u>
	<u>76,254,293.18</u>	<u>57,993,327.30</u>

TOTAL CASH ACCOUNTED FOR	<u>\$ 82,563,726.08</u>	<u>\$66,452,154.85</u>
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WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,	
	<u>1991</u>	<u>1990</u>
<u>Wine License Special Fund -</u>		
<u>Personal Services - Account 8592-00</u>		
Appropriations	\$ 52,500.00	\$-0-
Expenditures:		
Personal Services	42,753.47	-0-
Employee Benefits	966.49	-0-
	<u>43,719.96</u>	<u>-0-</u>
	8,780.04	-0-
Transmittals Paid After June 30	<u>11.81</u>	<u>-0-</u>
Balance	<u>\$ 8,791.85</u>	<u>\$-0-</u>
<u>Wine License Special Fund -</u>		
<u>Current Expenses - Account 8592-01</u>		
Appropriations	\$ 1,000.00	\$-0-
Expenditures	<u>-0-</u>	<u>-0-</u>
	1,000.00	-0-
Transmittals Paid After June 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ 1,000.00</u>	<u>-0-</u>
<u>Wine License Special Fund -</u>		
<u>Repairs and Alterations - Account 8592-02</u>		
Appropriations	\$289,688.00	\$-0-
Expenditures	<u>-0-</u>	<u>-0-</u>
	289,688.00	-0-
Transmittals Paid After June 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$289,688.00</u>	<u>\$-0-</u>

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER
 STATEMENTS OF APPROPRIATIONS/CASH RECEIPTS
 AND EXPENDITURES/DISBURSEMENTS

	Year Ended June 30,	
	1991	1990
<u>Wine License Special Fund -</u>		
<u>Employee Benefits - Account 8592-35</u>		
Appropriations	\$55,295.00	\$-0-
Expenditures:		
Employee Benefits	14,263.04	-0-
Current Expenses	2.00	-0-
	14,265.04	-0-
	41,029.96	-0-
Transmittals Paid After June 30	1,712.48	-0-
Balance	\$42,742.44	\$-0-
 <u>Wine License Special Fund -</u>		
<u>Annual Increment - Account 8592-66</u>		
Appropriations	\$ 504.00	\$-0-
Expenditures	504.00	-0-
	-0-	-0-
Transmittals Paid After June 30	-0-	-0-
Balance	\$ -0-	\$-0-
 <u>Wine License Special Fund -</u>		
<u>Refunds - Account 8592-78</u>		
Cash Receipts	\$ 600.00	\$-0-
Disbursements	600.00	-0-
Balance	\$ -0-	\$-0-

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

CASH CONTROL - WINE LICENSE SPECIAL FUND

ACCOUNT 8592-99

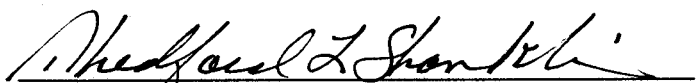
	<u>Year Ended June 30,</u>	
	<u>1991</u>	<u>1990</u>
Beginning Balance:		
State Treasury	\$ -0-	\$-0-
Cash Receipts:		
Transfers from Wine License Special Fund - Account - (8591-06)	118,036.73	-0-
Wine Licenses and Labels	<u>222,177.00</u>	<u>-0-</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$340,213.73</u>	<u>\$-0-</u>
Disbursements:		
Personal Services	\$ 42,753.47	\$-0-
Employee Benefits	15,229.53	-0-
Current Expenses	2.00	-0-
Annual Increment	504.00	-0-
Refunds	<u>600.00</u>	<u>-0-</u>
	59,089.00	-0-
Add Transmittals Paid July 1-31		
Beginning; and (Less) Transmittals Paid July 1-31 Ending:		
Personal Services	-0-	-0-
(Personal Services)	(10.97)	-0-
Employee Benefits	-0-	-0-
(Employee Benefits)	(1,713.32)	-0-
Current Expenses	-0-	-0-
(Current Expenses)	-0-	-0-
Repairs and Alterations	-0-	-0-
(Repairs and Alterations)	-0-	-0-
Annual Increment	-0-	-0-
(Annual Increment)	<u>-0-</u>	<u>-0-</u>
	(1,724.29)	-0-
	<u>57,364.71</u>	<u>-0-</u>
Ending Balance:		
State Treasury	<u>282,849.02</u>	<u>-0-</u>
TOTAL CASH ACCOUNTED FOR	<u>\$340,213.73</u>	<u>\$-0-</u>

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Postaudit Division, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 60, Article 2, Section 21, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 11th day of January,
1994.


Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the West Virginia Department of Tax and Revenue; the West Virginia Alcohol Beverage Control Commissioner; Governor; Attorney General; and State Auditor.