

**STATE OF WEST VIRGINIA**  
**AUDIT REPORT**  
**OF**

WEST VIRGINIA STATE BOARD OF RISK  
AND INSURANCE MANAGEMENT  
FOR THE PERIOD  
JULY 1, 1985 - JUNE 30, 1989



**OFFICE OF LEGISLATIVE AUDITOR**

**CAPITOL BUILDING**

**CHARLESTON, WEST VIRGINIA 25305**

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

FOR THE PERIOD

JULY 1, 1985 - JUNE 30, 1989

**West Virginia**



**LEGISLATIVE AUDITOR**

**CHARLESTON**

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the West Virginia State Board of Risk and Insurance Management.

Our examination covers the period July 1, 1985 through June 30, 1989. The results of our examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 1989 and June 30, 1988 are included in this report. The financial statements covering the period July 1, 1985 through June 30, 1987 are included in our audit workpapers.

Respectfully submitted,

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

TLS/asc

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

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WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT  
EXIT CONFERENCE

We held an exit conference on August 14, 1990 with the Director and Comptroller of the West Virginia State Board of Risk and Insurance Management and all findings and recommendations were reviewed and discussed. The above-named officials' responses are included in italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks sections of this report.

## WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

### INTRODUCTION

The State Board of Risk and Insurance Management 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 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.

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

BOARD MEMBERS AND STAFF

JUNE 30, 1989

<u>Board Members</u>	<u>Term Expires</u>
John Landfried, Chairman Ripley, Jackson County . . . . .	June 6, 1990
William Sigmund, Vice Chairman <u>1/</u> Beckley, Raleigh County . . . . .	June 30, 1988
Ralph R. Wallace, Jr. St. Albans, Kanawha County . . . . .	June 30, 1991
Hanley Clark, Insurance Commissioner Secretary ex officio . . . . .	<u>2/</u>

Staff

Robert S. Corey . . . . .	Director
James L. Boone . . . . .	Claims Manager
Harry F. Morris, III . . . . .	Underwriting Manager
Mark E. McCallister . . . . .	Comptroller

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1/ Position now vacant.

2/ Member by virtue of office.



WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT  
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

COMPLIANCE MATTERS

Improper Subsidization of Insurance Premium

1. 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 been paid from appropriations made from the State General Revenue Fund.

Our examination showed the Board requested sufficient funds to pay the State's share of the insurance coverage in fiscal years 1988 and 1989; however, the Governor's recommendation to the Legislature as shown in the Executive Budget was insufficient. The State's share was \$4,000,000.00 in these years, excluding prior year claims while the Governor's recommendation was \$3,000,000.00 and \$3,500,000.00 in fiscal years 1988 and 1989, respectively.

In addition, the Board was empowered by the Budget Bill for 1988 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. We did not locate any evidence indicating the language contained in the 1988 Budget

Bill was implemented by billing State spending units to recover the shortfall in funding.

We recommend the Board comply with Chapter 12, Article 12, Section 2 of the West Virginia Code, as amended, and Chapter 29, Article 12, Section 5, Subsection (b) of the West Virginia Code, as amended.

*We will comply with this audit recommendation. (See pages 11-16.)*

### Insurance Billings

2. Our audit disclosed differences between the amounts billed some State spending units and public entities for insurance coverage, as compared to our calculations of the amounts which should have been billed based on Executive Order 12-86 or the applicable Board approved rating plan. Adequate documentation to explain these differences was not retained by the Board. As a result, we could not determine whether these differences represented the actual amounts which should have been billed or errors in the calculation of the insurance premium.

We recommend the Board compute insurance billings based on the provisions of Executive Order 12-86 or the Board approved rating plan, as applicable.

*We will comply with this audit recommendation. (See pages 17-19.)*

### Source Documents Unavailable For Audit

3. Mine subsidence reports required to be submitted within 45 days after the end of each calendar quarter were not available for 35 of 39 insurance companies examined by us for the quarters ended September 30, 1987 and December 31, 1987. Accordingly, we were unable to determine if the

correct amounts remitted for mine subsidence insurance premiums were recorded in the Board's accounting records.

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

*The mine subsidence reports mentioned in this recommendation involve companies who in the seven year history of the Mine Subsidence program have never sold a single mine subsidence policy. The quarterly mine subsidence report is received, recorded as zero and then destroyed. This mainly is done due to limited staff and limited time for filing and maintaining of records. A computer copy of this report is available at any time. (See pages 19-20.)*

#### Submission of Quarterly Mine Subsidence Reports

4. Our examination showed the Board was in apparent noncompliance with Legislative Rules governing the Mine Subsidence Insurance Program. The rules state that each insurance company subject to the regulation will complete the West Virginia Mine Subsidence Fund report at the conclusion of each calendar quarter. However, our examination of ten companies subject to the regulation showed the Board had on file only 17 of 40 reports which should have been submitted during each of the fiscal years of 1988 and 1989.

We recommend the Board comply with the provisions of Series II, Section 4:02 of the Legislative Rules governing the Mine Subsidence Insurance Program.

*While the rules and regulations do require each company licensed to sell property and casualty insurance in West Virginia to submit a report, the Board of Risk and Insurance Management has no regulatory authority to enforce this rule on the insurance companies. (See pages 20-21.)*

#### Compensation of Board Members

5. Our examination showed two Board members were compensated for 101 days of service in calendar year 1988 which exceeds the allowable 100 days in a calendar year as set forth in the West Virginia Code. As a result, the Board members were over compensated by \$40.00 each in apparent violation of the West Virginia Code.

We recommend the Board comply with Chapter 29, Article 12, Section 3, Subsection (c) of the West Virginia Code, as amended, and seek reimbursement from each of the Board members.

*We will comply with this audit recommendation. (See pages 21-22.)*

#### Inventory Control

6. We noted the Board has not updated its internal inventory records since 1985. Also, the annual reporting of inventory to the West Virginia State Agency For Surplus Property as required by the West Virginia Code has not been performed. As a result, the probability for State equipment to become lost or converted to personal use is increased.

We recommend the Board comply with Chapter 5A, Article 3, Section 42 of the West Virginia Code, as amended.

*Since completion of the audit a complete inventory has been performed and property tags affixed to all property owned by the Board of Risk and Insurance Management. (See page 22.)*

## INTERNAL CONTROLS AND ACCOUNTING SYSTEM

### Payroll Certification Forms

7. 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. We believe termination of the certification form could have been a contributing factor to the \$40.00 overpayments made in 1988 to two Board members.

We recommend the Board strengthen internal controls in the area of compensation paid to Board members.

*We will comply with this audit recommendation. (See page 24.)*

### Premiums Remittances

8. We noted that a political subdivision apparently overpaid their account by \$1,375.00 during the fourth quarter of fiscal year 1989. We determined that \$1,375.00 should be refunded to the political subdivision based on our review of the Board's billing summary, as well as copies of checks received and deposits made by the Board.

We recommend the Board strengthen internal controls in the area of premium remittances.

*As this is an isolated incident we believe this recommendation is unnecessary. The overpayment of \$1,375 has been credited to the account of the political subdivision to be applied to future billings.*

• (See pages 24-25.)

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

GENERAL REMARKS

INTRODUCTION

We have completed a financial and compliance audit of the West Virginia State Board of Risk and Insurance Management. The audit covered the period July 1, 1985 through June 30, 1989.

GENERAL REVENUE ACCOUNTS

Expenditures required for the general operation of the West Virginia State Board of Risk and Insurance Management were made from the following appropriated accounts:

<u>Number</u>	<u>Description</u>
2250-00 . . . . .	Personal Services
2250-18 . . . . .	Unclassified
2250-66 . . . . .	Annual Increment
2252-18 . . . . .	Unclassified-Supplemental

SPECIAL REVENUE ACCOUNTS

During the audit period, the West Virginia State Board of Risk and Insurance Management maintained six special revenue accounts. These accounts are used to account for the proceeds of special revenue sources or to finance specified activities as required by law or administrative regulations. Balances in the special revenue accounts are carried forward to the following fiscal year. The following special revenue accounts were active during the audit period:

<u>Number</u>	<u>Description</u>
8275-06 . . . . .	Commission Account; Transfer from Accounts 8275-09 and 8275-10. Payment of Commissions for agents of record participating in the Public Entities Insurance Program.
8275-07 . . . . .	Professional Liability Trust Fund; for Special Revenue Agencies; receives funds transferred from Account 2250-18, payment of claims and insurance premiums.

- 8275-08 . . . . . Mine Subsidence Insurance Fund; Receives premiums from insurance companies issuing mine subsidence policies; mine subsidence investigation; maintenance contracts and other current expenses.
- 8275-09 . . . . . Public Entity Property Insurance Trust Fund; Receives from participants in Public Entities Insurance Program; payment of premiums, claims and other expenses.
- 8275-10 . . . . . Public Entity Liability Insurance Trust Fund; Receives premiums from participants in Public Entities Insurance Program; payment of premiums, claims and other expenses.
- 8275-77 . . . . . Payroll Clearing account.

COMPLIANCE MATTERS

Chapter 29, Article 12, and Chapter 33, Article 30 of the West Virginia Code, as amended, generally govern the West Virginia State Board of Risk and Insurance Management. 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.

Improper Subsidization of Insurance Premium

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>
<b>3rd quarter - FY 1988</b>					
Premium Due	\$1,420,000.00	\$580,000.00	\$-0-	\$-0-	\$2,000,000.00
Premium Paid	1,420,000.00	580,000.00	-0-	-0-	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	-0-	-0-	1,000,000.00
State's Share Paid (Deficit) State Share	225,000.91 (\$ 484,489.09)	92,110.09 (\$197,889.91)	-0- \$-0-	-0- \$-0-	317,621.00 (\$ 682,379.00)
<b>4th quarter - FY 1988</b>					
Premium Due	\$1,420,000.00	\$580,000.00	\$-0-	\$-0-	\$2,000,000.00
Premium Paid	-0-	-0-	-0-	-0-	-0-
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	-0-	-0-	1,000,000.00
State's Share Paid (Deficit) State Share	-0- (\$ 710,000.00)	-0- (\$290,000.00)	-0- \$-0-	-0- \$-0-	-0- (\$1,000,000.00)

<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>
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	-0- (\$1,000,000.00)	N/A	-0- (\$567,063.00)	-0- (\$3,000.00)	-0- (\$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.

Also, we noted the Board used \$2,000,000.00 received on June 23, 1986 from CNA as a settlement of claims arising from the November 1985 flood disaster to pay additional premiums for retroactive payments arising for the period July 1973 through January 1986. The total payment made on September 29, 1986 for retroactive claims was \$2,620,250.00. Our review of the West Virginia Code and the Budget Bill for fiscal year 1987 did not show the Board had authority to utilize the settlement funds for the purpose of paying insurance premiums.

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

"All officials and employees of the State authorized by statute to accept moneys due the 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 . . . When so paid, such moneys shall be credited to the state fund and treated by the auditor and treasurer as part of the general revenue of the State: . . ."

Since the language in Chapter 29 of the West Virginia Code and the 1987 Budget Bill does not appear to allow the Board to retain settlement monies, we believe the use of such moneys for the payment of insurance premiums would be a violation of the West Virginia Code.

We recommend the Board comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, and Chapter 29, Article 12, Section 5, Subsection (b) of the West Virginia Code, as amended.

*The Staff of the Board of Risk and Insurance Management is aware of this finding. However, as you mentioned in your findings the budget recommendation from the Governor was insufficient to meet the State's share of the insurance costs. It was also impossible to bill the state agencies prior to July 1, 1988 because the Governor specifically instructed our Board not to bill, thereby making it impossible to recover our costs from the agencies.*

*With respect to the \$2,000,000 settlement received in 1986, the Board was appropriated this amount in the 1990 Legislative session to repay this money to the necessary parties. Once again the Governor was involved in this decision to use the money to pay premiums instead of using the funds for settlement of claims.*

*The Board however will comply with Chapter 12 and Chapter 29 of the West Virginia Code, as amended in the future.*

## Insurance Billings

Quantitative data used by the Board to determine and document the billings for insurance coverage was not always retained for the years under audit. Consequently, our examination disclosed differences in some cases between the amounts billed State agencies for insurance coverage and the amounts which we believe should have been billed based on the Board's rating plan; however, we were unable to pinpoint the causes of these differences. Our examination of insurance payments by State agencies during fiscal year 1989 showed the following:

<u>Spending Unit</u>	<u>Amount Billed</u>	<u>Calculated Billing</u>	<u>Difference</u>
1	\$ 28,904.00	\$171,059.00	(\$142,155.00)
2	191,852.00	210,242.00	(18,390.00)
3	111,396.00	121,340.00	(9,944.00)
4	142,684.00	145,140.00	(2,456.00)
5	6,248.00	7,006.00	(758.00)
6	9,764.00	10,391.00	(627.00)
7	<u>12,260.00</u>	<u>11,071.00</u>	<u>1,189.00</u>
	<u>\$503,108.00</u>	<u>\$676,249.00</u>	<u>(\$173,141.00)</u>

Based on the results of our testing, it appears these seven State spending units were billed a net amount of \$173,141.00 less than the amount called for under the Board's rating plan. Because adequate documentation was not retained, we were unable to reconcile the differences.

The billings for participants in the Public Entities Insurance Program were based on the provisions of Executive Order 12-86 issued by Governor Moore on June 30, 1986 which states in part,

" . . . I do hereby ORDER that the liability insurance coverage which is set up by the West Virginia State Board of Risk and Insurance Management shall have the same limits of liability and deductible as the entitle's present policy, it shall have the same premium payment as the last annual payment made by the entity, it shall require that twenty-five percent (25%) of the annual premium be paid immediately. . . "

Subsequently, the Board approved rating plans for volunteer fire departments, rescue squads and primary care clinics. We examined the initial billings of

selected public entities based on the provisions of Executive Order 12-86 or the approved rating plan, as applicable and noted the following:

<u>Public Entity</u>	<u>Amount Billed</u>	<u>Calculated Billing</u>	<u>Difference</u>
1	\$11,988.00	\$15,260.00	(\$3,272.00)
2	10,380.00	9,408.62	971.38
3	8,774.00	8,836.00	(62.00)
4	980.00	1,383.00	(403.00)
5	<u>8,540.00</u>	<u>8,174.00</u>	<u>366.00</u>
	<u>\$40,662.00</u>	<u>\$43,061.62</u>	<u>(\$2,399.62)</u>

Based on the results of our testing, it appears these five public entities were billed a net amount of \$2,399.62 less than the amount called for under the provisions of Executive Order 12-86 or the applicable rating plan. Because adequate documentation was not retained, we were unable to reconcile the differences.

In performing our examination of public entities' insurance coverage, we learned that the Board's staff is using a rating plan for local solid waste authorities that does not appear to have been formally approved by the Board. We noted the billings were based on whether the solid waste authority operated a landfill, number of vehicles used and \$1.00 per each \$100.00 of property and equipment insured. We reviewed the minutes of the Board meetings and could find no evidence where the Board formally approved the rating plan.

We recommend the Board compute insurance billings based on the provisions of Executive Order 12-86 or the Board approved rating plan, as applicable.

*While we agree that some documentation was not retained for the audit period there are many different factors that can contribute to the fluctuation of the premiums noted on the State spending units. The largest difference of \$142,155.00 deals with the West Virginia State Police and their pension fund. When the premiums were calculated and apportioned to general and special revenue*

based upon budget information provided by the spending units, the State Police showed a large special revenue budget because of the pension plan. Therefore a majority of their premium was charged to special revenue. After further review and discussions with the State Police their premium was reallocated to be covered by the General Revenue appropriation received by the Board of Risk with only \$28,904 being billed directly to the agency.

The fluctuation in the other six state spending units can be attributed to various factors. The original calculations were made in early 1988 for FY 1989. Before the premiums were actually billed the agency could have reduced their property exposure, claims could have been settled for less than reserved on the claim thus reducing the premium cost and claims may have been charged to the wrong agency either reducing or increasing the premium charge.

With respect to the billings to the public entities, again we agree that some documentation was not retained. However, because the Board decided to make every public entity an additional insured on the State's master policy, some adjustments were made to premiums as entities entered the program because they had never purchased the comprehensive coverages offered by the Board of Risk and Insurance. Also in the case of some entities, portions of their insurance were separated from the original policies and written separately due to budgetary reasons. For these reasons the amount billed may differ from your amount calculated based upon the policies and documentation in the file.

With respect to the solid waste authority rating plan, it will be presented to the Board for formal approval as soon as possible.

#### Source Documents Unavailable For Audit

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

"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 division of archives and history of the department of culture and history that the

record has no further administrative, legal, fiscal, research or historical value."

Our examination showed certain source documents required to determine the Board's compliance with the provisions of the West Virginia Code were not retained.

Specifically, mine subsidence reports required to be submitted within 45 days after the end of each calendar quarter were not available for 35 of 39 insurance companies examined by us for the quarters ended September 30, 1987 and December 31, 1987. Accordingly, we were unable to determine if the correct amounts remitted for mine subsidence insurance premiums were recorded in the Board's accounting records, and whether the reports were submitted within 45 days after the end of the calendar quarter as required by law.

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

*The mine subsidence reports mentioned in this recommendation involve companies who in the seven year history of the Mine Subsidence program have never sold a single mine subsidence policy. The quarterly mine subsidence report is received, recorded as zero and then destroyed. This mainly is done due to limited staff and limited time for filing and maintaining of records. A computer copy of this report is available at any time.*

#### Submission of Quarterly Mine Subsidence Reports

Series II, Section 4:02 of the Legislative Rules of the West Virginia State Board of Risk and Insurance Management regarding required reporting concerning mine subsidence premiums states,

"4:02. Fund Reporting - Quarterly, each Insurance Company subject to this regulation shall complete the West Virginia Mine Subsidence Fund Report. Refer to Appendix E for report format. The following information will be required:

- A. Policy Count by County;
- B. The amount of gross premiums less cancellations during the quarter rounded to the nearest dollar;
- C. The net premiums due the State.



The completed report, along with the net premiums due the State, if any, shall be returned to the Board within forty-five days after the quarter ends."

We selected ten companies which would have been subject to the reporting provisions set forth in the legislative rules during fiscal years 1988 and 1989. Since each company should have filed a report each quarter, the Board should have received a total of 40 reports regarding these companies during the particular fiscal year being examined. We found the Board received only 17 of 40 reports in each of these fiscal years. Board personnel informed us that in some cases, reports were not retained and in other instances, the insurance company responded by writing a letter indicating the company did not write mine subsidence coverage and therefore did not complete the report; however, in most cases these letters were not retained by the Board.

We recommend the Board comply with the provisions of Series II, Section 4:02 of the legislative rules governing the Mine Subsidence Insurance Program.

*While the rules and regulations do require each company licensed to sell property and casualty insurance in West Virginia to submit a report, the Board of Risk and Insurance Management has no regulatory authority to enforce this rule on the insurance companies. This authority falls with the Insurance Commissioner who like many other agencies, is under staffed and unable to check for minor non-compliances such as this one.*

#### Compensation of Board Members

Chapter 29, Article 12, Section 3, Subsection (c) of the West Virginia Code, as amended, states in part,

"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. . . ."

Our examination showed two Board members were compensated for 101 days of service in calendar year 1988. As a result, the Board members were over compensated by \$40.00 each in apparent violation of the West Virginia Code.

We recommend the Board comply with Chapter 29, Article 12, Section 3, Subsection (c) of the West Virginia Code, as amended, and seek reimbursement of \$40.00 from each of the Board members.

*Upon receipt of the names of the two Board members who were overpaid the staff will seek reimbursement from said members.*

### Inventory Control

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

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

As a part of our examination we reviewed the inventory control procedures utilized by the West Virginia State Board of Risk and Insurance Management.

We noted the Board has not updated its internal inventory records since 1985 and the inventory reporting required by the abovementioned West Virginia Code section has not been performed. As a result, the probability for State equipment to become lost or converted to personal use is increased.

We recommend the Board comply with Chapter 5A, Article 3, Section 42 of the West Virginia Code, as amended.

*Since completion of the audit a complete inventory has been performed and property tags affixed to all property owned by the Board of Risk and Insurance Management.*

### INTERNAL CONTROLS AND ACCOUNTING SYSTEM

As a part of our examination, we reviewed and tested the system of internal accounting control to the extent we considered necessary to evaluate the

system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

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

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and 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, 1985 through June 30, 1989, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all

weaknesses in the system. However, such study and evaluation disclosed conditions that we believe to be weaknesses.

#### Payroll Certification Forms

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. We believe termination of the certification form could have been a contributing factor to the \$40.00 overpayments made in 1988 to two Board members.

We recommend the Board strengthen internal controls in the area of compensation paid to Board members.

*Effective July 1, 1990 payroll certification forms will be reinstated for the Board Members.*

#### Premium Remittances

In our examination of billings related to the Public Entities Insurance Program, we noted that a political subdivision apparently overpaid their account by \$1,375.00 during the fourth quarter of fiscal year 1989. The quarterly premiums set by the Board for this particular account were \$1,375.00 for liability insurance and \$1,220.00 for property insurance. Apparently, the \$1,375.00 received in the third quarter of FY 1989 for liability insurance was not posted to the Board's billing summary resulting in an unpaid balance according to the accounting records. As a result, \$2,750.00 was billed in the fourth quarter of FY 1989 and was paid by the political subdivision. Our determination that \$1,375.00 should be refunded to the political subdivision is based on our review of the Board's billing summary, as well as copies of checks received and deposits made by the Board.

We recommend the Board strengthen internal controls in the area of premium remittances.

*As this is an isolated incident we believe this recommendation is unnecessary. The overpayment of \$1,375 has been credited to the account of the political subdivision to be applied to future billings. This once again can be attributed to a lack of proper staffing causing some weaknesses in internal controls.*

## INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

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

Except as discussed in the following paragraph, 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.

Quantitative data used to determine the billings for insurance coverage was not always retained by the Board. As a result, we were unable to recalculate premiums charged by the Board, nor were we able to perform alternative procedures to satisfy ourselves as to the fairness of the billings for insurance coverage.

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

In our opinion, except for the effects, if any, of the Department's disposal of the quantitative data used to determine the billings for insurance coverage and our inability to apply alternative procedures to satisfy ourselves as to the fairness of the amounts billed for insurance coverage as noted in paragraph three above, the financial statement referred to above presents fairly, in all material respects, the appropriations and expenditures and revenue collected and expenses paid of the West Virginia State Board of Risk and Insurance Management for the years ended June 30, 1989 and June 30, 1988, on the bases of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for the 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 except for the effects, if any, of the matters discussed in paragraph three above, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,

  
Theford L. Shanklin, CPA, Director  
Legislative Postaudit Division

January 3, 1990

Auditors: Michael E. Sizemore, CPA, Supervisor  
Randal L. Thomas, Auditor-in-Charge  
Beverly E. Mangus

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT  
 STATEMENT OF APPROPRIATIONS/CASH RECEIPTS, EXPENDITURES/  
 DISBURSEMENTS AND CHANGES IN FUND BALANCES

	<u>Year Ended June 30, 1989</u>		
	<u>General Revenue</u>	<u>Special Revenue</u>	<u>Combined Totals</u>
<b>Appropriations/Cash Receipts:</b>			
Appropriations	\$ 6,700,108.00	\$ -0-	\$ 6,700,108.00
Insurance Premiums	-0-	22,045,272.52	22,045,272.52
Earned Interest	-0-	691,659.85	691,659.85
Refunds	-0-	4,819.68	4,819.68
	<u>6,700,108.00</u>	<u>22,741,752.05</u>	<u>29,441,860.05</u>
<b>Expenditures/Disbursements:</b>			
Personal Services	-0-	266,778.21	266,778.21
Current Expenses	87,204.00	20,742,296.75	20,829,500.75
Repairs and Alterations	-0-	-0-	-0-
Equipment	-0-	3,966.25	3,966.25
Payment of Claims	-0-	2,070,001.47	2,070,001.47
Refunds	-0-	221,511.80	221,511.80
	<u>87,204.00</u>	<u>23,304,554.48</u>	<u>23,391,758.48</u>
<b>Appropriations/Cash Receipts: Over (Under) Expenditures/ Disbursements</b>			
	6,612,904.00	(562,802.43)	6,050,101.57
<b>Expirations and Expenditures After June 30</b>			
	(185,825.00)	-0-	(185,825.00)
<b>Beginning Balance</b>			
	-0-	20,412,179.60	20,412,179.60
<b>Transfers to Pay Insurance Premiums and Administrative Expenses</b>			
	<u>(6,427,079.00)</u>	<u>6,427,079.00</u>	<u>-0-</u>
<b>Ending Balance</b>			
	<u>\$ -0-</u>	<u>\$26,276,456.17</u>	<u>\$26,276,456.17</u>

See Notes to Financial Statement



Year Ended June 30, 1988

<u>General Revenue</u>	<u>Special Revenue</u>	<u>Combined Totals</u>
\$ 2,909,339.00	\$ -0-	\$ 2,909,339.00
-0-	15,428,300.20	15,428,300.20
-0-	1,035,273.43	1,035,273.43
-0-	-0-	-0-
<u>2,909,339.00</u>	<u>16,463,573.63</u>	<u>19,372,912.63</u>
-0-	255,894.37	255,894.37
703.38	8,031,114.52	8,031,817.90
-0-	1,293.46	1,293.46
-0-	5,290.10	5,290.10
-0-	1,494,168.12	1,494,168.12
-0-	4,868.00	4,868.00
<u>703.38</u>	<u>9,792,628.57</u>	<u>9,793,331.95</u>
2,908,635.62	6,670,945.06	9,579,580.68
(19,778.06)	-0-	(19,778.06)
-0-	10,852,376.98	10,852,376.98
<u>(2,888,857.56)</u>	<u>2,888,857.56</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$20,412,179.60</u>	<u>\$20,412,179.60</u>

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policies

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

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

	<u>Expenditures</u>		<u>Expirations</u>	
	<u>Paid After June 30,</u> <u>1989</u>	<u>1988</u>	<u>July 31,</u> <u>1989</u>	<u>July 31,</u> <u>1988</u>
Personal Services	\$-0-	\$-0-	\$ 83,820.00	\$ -0-
Annual Increment	-0-	-0-	936.00	-0-
Unclassified	-0-	-0-	101,069.00	19,778.06
Unclassified - Supplemental	-0-	-0-	-0-	-0-
	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$185,825.00</u>	<u>\$19,778.06</u>

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

Note B - Pension Plan

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

West Virginia State Board of Risk and Insurance Management matches contributions at 9.5% of the compensation on which the employee made contributions for all employees whose compensation is paid from any funds other than appropriations from the General Revenue Fund of West Virginia. The West Virginia State Board of Risk and Insurance Management's pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
Mine Subsidence Insurance Fund	\$ 7,699.48	\$ 5,711.88
Public Entity Property Insurance Trust Fund	5,337.97	5,335.88
Public Entity Liability Insurance Trust Fund	<u>9,292.85</u>	<u>6,585.62</u>
	<u>\$22,330.30</u>	<u>\$17,633.38</u>

Note C - Investments and Fund Balances

The components of the fund balances were as follows:

	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
Commission Account - Account (8275-06)		
Cash	\$14,349.98	\$82,540.30
Investments	<u>-0-</u>	<u>-0-</u>
	<u>\$14,349.98</u>	<u>\$82,540.30</u>
Professional Liability Trust Fund - Account (8275-07)		
Cash	\$1,280,959.58	\$ 419.81
Investments	<u>-0-</u>	<u>-0-</u>
	<u>\$1,280,959.58</u>	<u>\$ 419.81</u>
Mine Subsidence Insurance Fund - Account (8275-08)		
Cash	\$ 455,959.25	\$ 249,741.35
Investments	<u>5,129,797.96</u>	<u>4,380,743.57</u>
	<u>\$5,585,757.21</u>	<u>\$4,630,484.92</u>
Public Entity Insurance Trust Fund - Account (8275-09)		
Cash	\$ 1,086,134.64	\$ 300,154.85
Investments	<u>2,749,747.77</u>	<u>2,057,936.61</u>
	<u>\$ 3,835,882.41</u>	<u>\$ 2,358,091.46</u>

	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
Public Entity Liability Insurance Trust Fund - Account (8275-10)		
Cash	\$ 4,276,525.97	\$ 2,358,460.39
Investments	<u>11,282,972.21</u>	<u>10,982,177.91</u>
	<u>\$15,559,498.18</u>	<u>\$13,340,638.30</u>

In relation to the investment balances disclosed above, subsequent to June 30, 1988 sizable 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 amount shown as Investments above has not been adjusted to reflect any decline in the available balance of invested funds. The West Virginia State Board of Investments has not determined the required adjustment necessary to reflect any decline in the balance of invested funds. Instead, the West Virginia State Board of Investments has voted to establish an amortization fund composed of zero coupon bonds to fund any deficit in the Consolidated Fund Unrestricted - Pool Number 100.

#### Note D - Intra-Account Transactions

The following intra-account transactions have been eliminated:

	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
Special Revenue	<u>\$6,213,848.24</u>	<u>\$8,633,139.65</u>

#### Note E - Mine Subsidence Premiums

The West Virginia State Board of Risk and Insurance Management did not retain all quarterly West Virginia Mine Subsidence Fund Reports submitted by insurance companies. The Board considers the potential amount of unremitted mine subsidence premiums to be an immaterial amount in relation to the financial statement taken as a whole.

SUPPLEMENTAL INFORMATION

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
<u>Personal Services - Account 2250-00</u>		
Appropriations	\$ 95,900.00	\$ -0-
Expenditures:		
Transfers to Payroll Clearing Account - Account (8275-77)	12,080.00	-0-
	<u>83,820.00</u>	<u>-0-</u>
Transmittals Paid After June 30	-0-	-0-
Balance	<u>\$ 83,820.00</u>	<u>\$ -0-</u>
<u>Unclassified - Account 2250-18</u>		
Appropriations	\$3,603,272.00	\$2,909,339.00
Expenditures:		
Current Expenses	87,204.00	703.38
Transfers to Professional Liability Trust Fund - Account (8275-07)	3,414,999.00	-0-
Transfers to Public Entity Property Insurance Trust Fund - Account (8275-09)	-0-	500,000.00
Transfers to Public Entity Liability Insurance Trust Fund - Account (8275-10)	-0-	2,317,621.00
Transfers to Payroll Clearing - Account (8275-77)	-0-	71,236.56
	<u>3,502,203.00</u>	<u>2,889,560.94</u>
	101,069.00	19,778.06
Transmittals Paid After June 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ 101,069.00</u>	<u>\$ 19,778.06</u>
<u>Annual Increment - Account 2250-66</u>		
Appropriations	\$ 936.00	\$ -0-
Expenditures	<u>-0-</u>	<u>-0-</u>
	936.00	-0-
Transmittals Paid After June 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ 936.00</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

<u>Unclassified - Supplemental - Account 2252-18</u>	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
Appropriations	\$3,000,000.00	\$-0-
Expenditures:		
Transfer to Mine Subsidence Insurance Fund - Account. (8275-08)	<u>3,000,000.00</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 STATE BOARD OF RISK AND INSURANCE MANAGEMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

<u>Commission Account - Account 8275-06</u>	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
<b>Cash Receipts:</b>		
Transfers from Public Entity Property Insurance Trust Fund - Account (8275-09)	\$145,160.00	\$ 73,438.00
Transfers from Public Entity Liability Insurance Trust Fund - Account (8275-10)	597,901.00	381,606.00
Refunds	666.68	-0-
	<u>743,727.68</u>	<u>455,044.00</u>
<b>Disbursements:</b>		
Current Expenses	811,918.00	436,062.00
Equipment	-0-	993.00
Payment of Claims	-0-	31,468.32
	<u>811,918.00</u>	<u>468,523.32</u>
Cash Receipts (Under) Disbursements	(68,190.32)	(13,479.32)
Beginning Balance	<u>82,540.30</u>	<u>96,019.62</u>
Ending Balance	<u>\$ 14,349.98</u>	<u>\$ 82,540.30</u>



WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

<u>Professional Liability Trust Fund -</u>	<u>Year Ended June 30,</u>	
<u>Account 8275-07</u>	<u>1989</u>	<u>1988</u>
Cash Receipts:		
Transfers from State General Revenue Fund	\$ 3,414,999.00	\$ -0-
Transfer from Mine Subsidence Insurance Fund - Account (8275-08)	3,000,000.00	-0-
Insurance Premiums	5,493,497.00	-0-
Refunds	4,153.00	-0-
	<u>11,912,649.00</u>	<u>-0-</u>
Disbursements:		
Current Expenses	8,440,471.00	-0-
Payment of Claims	1,243,034.23	14,487.31
Transfers to Public Entity Property Insurance Trust Fund - Account (8275-09)	280,357.00	-0-
Transfers to Public Entity Liability Insurance Trust Fund - Account (8275-10)	665,693.00	-0-
Refunds	2,554.00	-0-
	<u>10,632,109.23</u>	<u>14,487.31</u>
Cash Receipts Over (Under) Disbursements	1,280,539.77	(14,487.31)
Beginning Balance	<u>419.81</u>	<u>14,907.12</u>
Ending Balance	<u>\$ 1,280,959.58</u>	<u>\$ 419.81</u>

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

<u>Mine Subsidence Insurance Fund -</u>	<u>Year Ended June 30,</u>	
<u>Account 8275-08</u>	<u>1989</u>	<u>1988</u>
Cash Receipts:		
Transfers from State General Revenue Fund	\$3,000,000.00	\$ -0-
Insurance Premiums	1,539,239.70	1,643,691.55
Transfers from Public Entity		
Liability Insurance Trust Fund -		
Account (8275-10)	-0-	24,714.20
	<u>4,539,239.70</u>	<u>1,668,405.75</u>
Disbursements:		
Personal Services	87,771.42	59,936.82
Current Expenses	192,959.16	127,171.54
Repairs and Alterations	-0-	428.46
Equipment	2,521.91	1,112.40
Payment of Claims	284,103.51	330,965.70
Transfers to Professional Liability		
Trust Fund - Account (8275-07)	3,000,000.00	-0-
Refunds	215,665.80	4,868.00
Transfers to West Virginia State Board		
of Investments (Net)	550,000.00	1,500,000.00
	<u>4,333,021.80</u>	<u>2,024,482.92</u>
Cash Receipts Over (Under) Disbursements	206,217.90	(356,077.17)
Beginning Balance	<u>249,741.35</u>	<u>605,818.52</u>
Ending Balance	<u>\$ 455,959.25</u>	<u>\$ 249,741.35</u>

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT  
STATEMENT OF CHANGES IN INVESTMENT BALANCE

<u>Investments - Account 8275-08</u>	<u>Year Ended June 30,</u>	
<u>Mine Subsidence Insurance Fund</u>	<u>1989</u>	<u>1988</u>
Additions:		
Transfers to State Board of Investments	\$ 600,000.00	\$1,500,000.00
Interest Reinvested	199,054.39	281,338.02
	<u>799,054.39</u>	<u>1,781,338.02</u>
Deductions:		
Withdrawals from State Board of Investments	50,000.00	-0-
	<u>749,054.39</u>	<u>1,781,338.02</u>
Beginning Balance	<u>4,380,743.57</u>	<u>2,599,405.55</u>
Ending Balance	<u>\$5,129,797.96</u>	<u>\$4,380,743.57</u>

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

<u>Public Entity Property Insurance</u> <u>Trust Fund - Account 8275-09</u>	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
Cash Receipts:		
Insurance Premiums	\$3,167,053.92	\$2,679,728.02
Transfers from State General Revenue Fund	-0-	500,000.00
Transfers from Professional Liability		
Trust Fund - Account (8275-07)	280,357.00	-0-
	<u>3,447,410.92</u>	<u>3,179,728.02</u>
Disbursements:		
Personal Services	60,640.49	56,138.15
Current Expenses	1,361,860.45	1,116,742.99
Equipment	129.99	1,501.68
Payment of Claims	493,640.20	1,052,746.79
Transfers to Commission Account -		
Account (8275-06)	145,160.00	73,438.00
Transfers to West Virginia State		
Board of Investments (Net)	600,000.00	730,000.00
	<u>2,661,431.13</u>	<u>3,030,567.61</u>
Cash Receipts Over Disbursements	785,979.79	149,160.41
Beginning Balance	<u>300,154.85</u>	<u>150,994.44</u>
Ending Balance	<u>\$1,086,134.64</u>	<u>\$ 300,154.85</u>

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

STATEMENT OF CHANGES IN INVESTMENT BALANCE

<u>Investments - Account 8275-09</u> <u>Public Entity Property Insurance</u> <u>Trust Fund</u>	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
Additions:		
Transfers to State Board of Investments	\$1,000,000.00	\$1,000,000.00
Interest Reinvested	91,811.16	113,989.93
	<u>1,091,811.16</u>	<u>1,113,989.93</u>
Deductions:		
Withdrawals from State Board of Investments	400,000.00	270,000.00
	<u>691,811.16</u>	<u>843,989.93</u>
Beginning Balance	<u>2,057,936.61</u>	<u>1,213,946.68</u>
Ending Balance	<u>\$2,749,747.77</u>	<u>\$2,057,936.61</u>

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

<u>Public Entity Liability Insurance</u> <u>Trust Fund - Account 8275-10</u>	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
Cash Receipts:		
Insurance Premiums	\$11,845,481.90	\$11,104,880.63
Transfers from State General Revenue Fund	-0-	2,317,621.00
Transfers from Professional Liability Trust Fund - Account (8275-07)	665,693.00	-0-
Transfers from West Virginia State Board of Investments (Net)	100,000.00	-0-
	<u>12,611,174.90</u>	<u>13,422,501.63</u>
Disbursements:		
Personal Services	106,290.30	69,377.75
Current Expenses	9,935,088.14	6,350,343.08
Repairs and Alterations	-0-	865.00
Equipment	1,314.35	1,683.02
Payment of Claims	49,223.53	64,500.00
Transfers to Commission Account - Account (8275-06)	597,901.00	381,606.00
Transfers to Mine Subsidence Insurance Fund - Account (8275-08)	-0-	24,714.20
Refunds	3,292.00	-0-
Transfers to West Virginia State Board of Investments (Net)	-0-	5,725,000.00
	<u>10,693,109.32</u>	<u>12,618,089.05</u>
Cash Receipts Over Disbursements	1,918,065.58	804,412.58
Beginning Balance	<u>2,358,460.39</u>	<u>1,554,047.81</u>
Ending Balance	<u>\$ 4,276,525.97</u>	<u>\$ 2,358,460.39</u>

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT  
STATEMENT OF CHANGES IN INVESTMENT BALANCE

<u>Investments - Account 8275-10</u>	<u>Year Ended June 30,</u>	
<u>Public Entity Liability Insurance</u>	<u>1989</u>	<u>1988</u>
<u>Trust Fund</u>		
Additions:		
Transfers to State Board of Investments	\$ 4,600,000.00	\$ 7,725,000.00
Interest Reinvested	400,794.30	639,945.48
	<u>5,000,794.30</u>	<u>8,364,945.48</u>
Deductions:		
Withdrawals from State Board of Investments	4,700,000.00	2,000,000.00
	<u>300,794.30</u>	<u>6,364,945.48</u>
Beginning Balance	<u>10,982,177.91</u>	<u>4,617,232.43</u>
Ending Balance	<u>\$11,282,972.21</u>	<u>\$10,982,177.91</u>

WEST VIRGINIA STATE BOARD OF RISK AND INSURANCE MANAGEMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

<u>Payroll Clearing Account -</u> <u>Account 8275-77</u>	<u>Year Ended June 30,</u>	
	<u>1989</u>	<u>1988</u>
Cash Receipts:		
Transfers from State General Revenue Fund	\$ 12,080.00	\$ 71,236.56
Transfers from Mine Subsidence Insurance Fund - Account (8275-08)	94,363.05	63,883.36
Transfers from Public Entity Property Insurance Trust Fund - Account (8275-09)	65,194.28	59,878.84
Transfers from Public Entity Liability Insurance Trust Fund - Account (8275-10)	<u>115,179.91</u>	<u>74,619.25</u>
	286,817.24	269,618.01
Disbursements:		
Personal Services	266,778.21	255,894.37
Current Expenses	<u>20,035.03</u>	<u>13,723.64</u>
	286,813.24	269,618.01
Cash Receipts Over Disbursements	4.00	-0-
Beginning Balance	<u>4.81</u>	<u>4.81</u>
Ending Balance	<u>\$ 8.81</u>	<u>\$ 4.81</u>

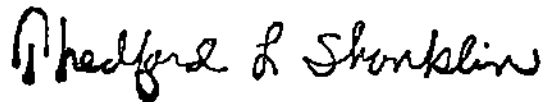


STATE OF WEST VIRGINIA

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 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 8<sup>th</sup> day of October,  
1990.



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 Administration; West Virginia State Board of Risk and Insurance Management; each member of the West Virginia State Board of Risk and Insurance Management; Governor; Attorney General; and State Auditor.