

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

WEST VIRGINIA SECRETARY OF STATE

FOR THE PERIOD

JULY 1, 2003 - JUNE 30, 2006



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA SECRETARY OF STATE

FOR THE PERIOD

JULY 1, 2003 - JUNE 30, 2006

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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CHARLESTON, WEST VIRGINIA 25305-610

To 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 Secretary of State.

Our examination covers the period July 1, 2003 through June 30, 2006. The results of this examination are set forth on the following pages of this report. However, we are performing additional work on the spending unit's inventory and any inventory findings will be issued in a special report at a later date.

Respectfully submitted,

A handwritten signature in black ink that reads "Stacy L. Sneed".

Stacy L. Sneed, CPA, Acting Director
Legislative Post Audit Division

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WEST VIRGINIA SECRETARY OF STATE

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WEST VIRGINIA SECRETARY OF STATE

EXIT CONFERENCE

We held an exit conference on November 16, 2007 with the Secretary of State and other representatives of the West Virginia Secretary of State's Office. All findings and recommendations were reviewed and discussed. The agency's responses are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our findings in the General Remarks section of this report.

WEST VIRGINIA SECRETARY OF STATE

INTRODUCTION

The Office of the Secretary of State was created by Article VII, Section 1 of the Constitution of West Virginia. The Secretary of State is the Chief Election Official of the State and Chief of voter registration. Further, the Secretary of State is Keeper of the Executive Journal, Keeper of the Administrative Laws of all State agencies, official administrator of the statutory provisions of the Uniform Commercial Code, statutory attorney-in-fact for and on behalf of all corporations, limited liability companies, limited partnerships, and state agencies and custodian of the Great and Less Seals of the State.

The Secretary of State is an ex officio member of the State Election Commission, member and ex officio Secretary of the Board of Public Works, member and ex officio Secretary of the State Armory Board, and ex officio Secretary of the State Building Commission.

The responsibilities of the Office of the Secretary of State are to coordinate and oversee all State, county, Board of Education and municipal elections; to issue certificate of incorporation for the creation of domestic corporations; to issue certificate of authority to foreign corporations; to maintain the Executive Journal; to publish the State Register and the Index to the Administrative Code and to keep the Administrative Laws of all State agencies; to accept and serve notice of process for corporations, limited liability companies, limited partnerships and state agencies; to administer the Uniform Commercial Code Laws; to administer Private Detective and Investigators Laws; to administer Notary Public Laws; to administer Security Agencies Laws; to administer West Virginia Commissioners Laws; to administer the "Solicitation of Charitable Funds

Act”; to administer the Farm Lien Program; to administer the licensing of ministers and athlete agents; to administer credit service organizations; to administer limited partnerships, limited liability partnerships, voluntary associations, and business trusts; to administer legal advertisements which are required by law or court; to administer the “Uniform Facsimile Signatures of Public Officials Act”; and to administer the “VIP” (Voting Is Powerful) program.

The Office of the Secretary of State is divided into three sections; the Administration and Support Division, the Public Division, and the Business Division.

Administration and Support Division

The Administration and Support division provides support and planning for personnel and all operations of the Office of the Secretary of State. Its duties are to plan, prepare and implement annual budgets for the Secretary of State and State Election Commission; perform all purchasing, payroll, and accounting functions; perform all human resource functions; manage the implementation of the Electronic Signatures Act; coordinate legal and contractual services, the reception and publication of information and forms, and special projects; receive, index, and file executive orders, proclamations, appointments, bonds, extraditions and other papers of the Governor; receive original legislative acts and provides certified copies; prepare the Executive Journal; provide public information and copies; manage microfilm, image, and record archives; and maintain supplies and equipment inventory.

Public Division

The Public Division, so named because it is the section of the Office of the Secretary of State that deals with the general public, is responsible for oversight of the Administrative Law; Charitable Organization and Professional Fund-Raiser Registration; Election Administration; Help

America Vote Act (HAVA); Licensing; Notary Public Commissioning; and West Virginia SHARES (Saving History And Reaching Every Student) programs.

Its duties are to provide and upkeep free access to all on-line information, including the Code of State Rules; assist agencies with filing for all rules and other information required under the Administrative Procedures Act; provide access of filed information to the public; publish the State Register, Code of State Rules, and Index; register charitable organizations and professional fund-raisers; direct and supervise elections; implement a networked statewide voter registration system; implement on-line campaign finance filing for statewide, legislative, and multi-country candidates; provide a computerized central statewide voter registration list for the State; implement voting system standards; facilitate new training programs for voters, poll workers, and local voting officials; register private investigators, security guards, athlete agents, and persons authorized to perform marriages in the State; issue certificates of notary public; and to increase the number of voters and voter turnout in West Virginia.

Business Division

The Business Division is responsible for oversight of the Corporations/Business Services, Service of Process, and Uniform Commercial Code programs.

Its duties are to assist citizens in the process of starting businesses; authorize out-of-state companies to do business in the state of West Virginia; maintain and process corporations and limited liability companies filed each year; implement "On-line Business Registration Filings"; process legal documents of corporations; act as attorney-in-fact for all corporations with operations in the state; and register liens filed by a lender when a borrower takes out a loan using in-state commercial or farm property or consumer goods as collateral.

WEST VIRGINIA SECRETARY OF STATE
ADMINISTRATIVE OFFICERS AND STAFF
JULY 1, 2003 TO JUNE 30, 2006

Betty Ireland.Secretary of State (January 17, 2005 to June 30, 2006)

Joe Manchin III. Secretary of State (July 1, 2003 to January 16, 2005)

Benjamin Beakes Chief of Staff (January 17, 2005 to June 30, 2006)

Larry PuccioChief of Staff (July 1, 2003 to January 16, 2005)

Vicki Pendell Executive Assistant (January 17, 2005 to June 30, 2006)

Mary Harrison Administrative Coordinator (July 1, 2003 to January 16, 2005)

John Ellison Director of Personnel (January 17, 2005 to June 30, 2006)

Mary Jo Thompson Director of Personnel (July 1, 2003 to January 16, 2005)

Marie Lamont Fiscal Officer/Director of Finance (July 1, 2003 to June 30, 2006)

Daniel Kimble Chief Counsel (October 10, 2004 to June 30, 2006)

Terry Helmick Chief Counsel (July 1, 2003 to October 9, 2004)

Therese Cox Director of Senior Outreach (September 16, 2005 to June 30, 2006)

Cathy Hart-Price Special Assistant-Public Relations (July 1, 2005 - June 30, 2006)

Jason Williams Elections Manager (April 18, 2005 to June 30, 2006)

Cindy Smith Elections & Licensing Team Leader (July 1, 2003 to April 15, 2005)

Penney Barker Corporations Manager

Vicki Haught UCC/Process Manager

Judy Cooper Administrative Law Manager

Sam ButcherChief Investigator-Fraud Investigations

WEST VIRGINIA SECRETARY OF STATE

EXECUTIVE SUMMARY

Lack of Time Sheets

1. We were unable to audit compensation paid to 17 (senior staff and field representatives) of 106 employees or 22.62% of total personal services during both the Manchin and Ireland administrations totaling about \$1,059,137.48, the related employee benefits estimated at \$353,360.61 and the corresponding sick, annual and compensatory accruals because the WVSOS did not require these employees to complete time sheets. We tested compensation for ten of the remaining employees who prepare time sheets - half from each administration - and found a total of \$3,255.54 of unsupported compensation made to two employees. Also, our review of the payroll records indicated, during the Manchin and Ireland administrations, the WVSOS does not include the non-exempt employee's annual increment as part of the annual salary when calculating an hourly rate for overtime purposes.

Auditors' Recommendation

We recommend the WVSOS comply with the Fair Labor Standards Act of 1938, as amended, §516.2, and §778.107 and Chapter 12, Article 3, Section 13 of the West Virginia Code by maintaining time sheets to support compensation paid to employees and including annual increment in the hourly wage rate calculation for overtime purposes.

Spending Unit's Response

We will comply with the recommendation. (See pages 15 - 18)

Failure to Follow Purchasing Guidelines

2. During both the Manchin and Ireland administrations, the WVSOS did not follow State purchasing policies and procedures as follows: (1) The WVSOS did not submit contracts totaling \$628,099 to the Purchasing Division for formal competitive bidding; (2) The WVSOS did not use statewide contracts for purchases totaling \$63,665.23 or Correctional Industries for purchases totaling \$184,692.69 for the Agency's required commodities or services; and (3) the WVSOS did not follow its own purchasing policies when completing the agency's internal purchase orders.

Auditors' Recommendation

We recommend the WVSOS comply with the West Virginia Division of Purchasing Policies and Procedures Handbook and Legislative Rule, Title 148-3-11.6 by

obtaining competitive bids when required and using statewide contracts and other internal resources when appropriate.

Spending Unit's Response

We have complied with the recommendation. (See pages 18-21)

No Authority for Prepaid Receipts

3. During both the Manchin and Ireland administrations, the WVSOS collected monies from customers and established prepaid accounts where customers could authorize payments from their account for future services; we were unable to locate statutory authority for these advance payments and unable to determine the law, rule or regulation that authorized the Prepaid Fee and Services Fund - Fund 1608. The Prepaid Fees and Services Fund - Fund 1608 at June 30, 2006, June 30, 2005 and June 30, 2004, balance was \$56,138.11, \$69,887.01 and \$58,119.91, respectively. Further, of the 23 transactions selected for testing, the WVSOS was unable to provide supporting documentation for seven transactions, during the Manchin and Ireland administrations, totaling \$1,990.50. Our testing also revealed nine instances during the Manchin and Ireland administrations, totaling \$128.00, where the individuals making the purchase were not authorized, per names of individuals on file, at the time of the transaction. The WVSOS disclaims responsibility for determining whether the signature on the prepaid account is of an authorized person.

Auditors' Recommendation

We recommend the WVSOS seek legislative approval for the above receipts and special revenue fund; we further recommend the WVSOS cease the collection of unauthorized "prepaid" monies and refund customer account balances until such approval is obtained.

Spending Unit's Response

The WVSOS will seek legislative approval for the prepaid account. (See pages 21-23)

Lack of Support for Annual Leave Donation

4. We were unable to identify the employees who donated 247 days of annual leave to one employee during the Manchin administration worth \$20,713.80 because the supporting documentation could not be located by the WVSOS. Also, from a review of the employee's leave records, we noted the employee accrued and used 19.5 days of sick and 15.97 days of annual leave, totaling \$2,974.57, during August 2003 through August 2004, while receiving donated leave in noncompliance with the Division of Personnel Administrative Rule Title 143.

Auditors' Recommendation

We recommend the WVSOS comply with the Division of Personnel's Title 143, Series 2, Leave Donation Program and maintain records of donor's and donation amounts.

Spending Unit's Response

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

Incorrect Termination Pay

5. We tested five of 24 employees who terminated their employment with the WVSOS during the period of July 1, 2003 through June 30, 2006. We noted of the five employees tested, three employees were overpaid a total of \$1,675.33 during the Ireland administration and one employee was underpaid a total of \$1,151.93 during the Manchin administration. We also noted during the Manchin and Ireland administrations, the WVSOS did not calculate the optional lump-sum annual leave payments in accordance with the above statute.

Auditors' Recommendation

We recommend the WVSOS comply with Chapter 5, Article 5, Section 3 and Chapter 29, Article 6, Section 10 of the West Virginia Code, and the West Virginia Department of Personnel Administrative Rule, Series 1, Title 143. We further recommend the WVSOS review the compensation paid to all employees who terminated during our audit period, determine if compensation adjustments are necessary and, if so determined, seek to recover overpayments as well as compensate underpaid employees.

Spending Unit's Response

We agree that we made an error in compensating employees. We will not comply with the recommendation regarding how to calculate termination pay. (See pages 25 - 27)

WVSOS Receipts System

6. During both the Manchin and Ireland administrations, the WVSOS did not perform a reconciliation of all receipts received to ensure the computerized system was operating properly and all receipts were accounted for, and prepaid revenues are duplicated in the Receipts System. Also, eight of 50 deposits made during the Manchin and Ireland administrations had allocation errors totaling \$2,260.10. Further, during our Test of County Reimbursements, we found, during the Manchin and Ireland administrations, the WVSOS incorrectly coded the entire amounts of four

deposits totaling \$41,649.35 resulting in the entire deposit being deposited into the wrong account.

Auditors' Recommendation

We recommend the WVSOS strengthen internal controls over the accounting for and reconciling of receipts as well as comply with Chapter 5A, Article 8, Section 9, Chapter 3, Article 2, Section 30, of the West Virginia Code.

Spending Unit's Response

We will comply with the recommendation. (See pages 27 - 31)

Refunds to Customer

7. We were unable to determine if approximately 7,500 refunds during both the Manchin and Ireland administrations totaling approximately \$235,000 were issued from corresponding revenues received and made for services not provided because the WVSOS did not maintain supporting documentation for some types of refund transactions and no supervisory approval is given before a cashier processes a refund. Also, we were told by a representative of the State Treasurer's Office the cost to issue a check was approximately \$45.00. We applied this cost to the number of checks issued and determined the State incurred processing costs of approximately \$342,000 to issue \$235,500 in refunds.

Auditors' Recommendation

We recommend the WVSOS comply with its Administrative Standard Operating Procedure 14a by requiring supervisory approval of refunds prior to cashiers processing refunds through the receipt system and strengthen internal controls by maintaining supporting documentation for refunds. Further, we recommend the WVSOS review refund procedures to determine if the number of refunds issued could be reduced to improve cost efficiency.

Spending Unit's Response

We will review our policy for refunds. We are open to any suggestions as to how this issue can be resolved, including asking the Legislature to change Code. (See pages 31 - 33)

Lack of Date Stamps

8. During both the Manchin and Ireland administrations, we were unable to determine if invoices were processed within ten days of receipt because no date stamp was found on the supporting documentation for 84 of 131, totaling \$1,011,016.43,

transactions selected for testing.

Auditors' Recommendation

We recommend the WVSOS comply with Chapter 12, Article 3, Section 10f and Chapter 5A, Article 3, Section 54 of the West Virginia Code by maintaining supporting documentation indicating the date invoices are received.

Spending Unit's Response

We will comply with the recommendation. (See pages 33 - 35)

Untimely Transfers and Deposits

9. During the Manchin administration, the WVSOS did not transfer \$121,510.66 in excess collections from a special revenue account to the State's General Revenue Fund timely. We also noted in our test of 50 cash receipt-transactions, two deposits were not made within 24 hours and we were unable to determine if an additional 22 deposits were made timely because of lack of documentation that indicated when the monies were received.

Auditors' Recommendation

We recommend the WVSOS to comply with Chapter 59, Article 1, Section 2(g) of the West Virginia Code, as amended, and Chapter 12, Article 2, Section 2 of the West Virginia Code. We further recommend the WVSOS strengthen internal controls over cash receipts by transferring excess monies and making deposits timely.

Spending Unit's Response

We will comply with the recommendation. (See pages 35 - 37)

Lack of Support for Transactions

10. During our audit, agency personnel could not provide us with supporting documentation for an personal services and employee benefits expense transfer made during the Ireland administration totaling \$23,032.57.

Auditors' Recommendation

We recommend the WVSOS maintain supporting documentation for transactions in accordance with Chapter 5A, Article 8, Section 9 of the West Virginia Code.

Spending Unit's Response

We will comply with the recommendation. (See pages 37 - 38)

Reimbursement to Counties for Voter Registration Services

11. During the Ireland administration, the WVSOS made a mistake in marriage license reimbursement calculations which resulted in counties being underpaid \$993 for the reimbursements due the marriage license offices.

Auditors' Recommendation

We recommend the WVSOS comply with Title 153, Series 25, Combined Voter Registration and Driver Licensing Fund and reimburse the counties appropriately.

Spending Unit's Response

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

Misclassified Expense Transfers

12. During the Manchin and Ireland administrations, the WVSOS misclassified eight expense transfers totaling \$38,542 to other agencies for services provided in accordance with applicable State law. In addition, during the Manchin and Ireland administrations, the WVSOS misclassified other expenditures in the amount of \$5,678, and the administrative fees for employee health benefits in the amount of \$2,400.

Auditors' Recommendation

We recommend the WVSOS comply with the object code definitions as provided for State of West Virginia Expenditure Schedule Instructions to comply with Chapter 11B, Article 2, Section 12 of the West Virginia Code.

Spending Unit's Response

We will not comply with the recommendation regarding expense transfers. We will comply with the recommendation regarding expenditure transactions. (See pages 39 - 41)

WEST VIRGINIA SECRETARY OF STATE

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the Office of the West Virginia Secretary of State (WVSOS). The audit covered the period July 1, 2003 through June 30, 2006.

GENERAL REVENUE ACCOUNTS

The WVSOS was appropriated funds for general operations in the following general revenue accounts:

| <u>Fund Number</u> | <u>Description</u> |
|---------------------------|---|
| 0155-001 | Personal Services |
| 0155-002 | Salary of Secretary of State |
| 0155-004 | Annual Increment |
| 0155-010 | Employee Benefits |
| 0155-088 | Pension Bond Admendment |
| 0155-099 | Unclassified |
| 0155-880 | Administrative Law Division Improvements |
| 0155-913 | BRIM Premium |

Additionally, the WVSOS operated from the following non-appropriated general revenue accounts:

| <u>Fund Number</u> | <u>Description</u> |
|---------------------------|---|
| 0155-519 | Corporate Charter Tax |
| 0155-530 | Examination Fees |
| 0155-545 | Operating Permit Fees |
| 0155-569 | Financial Statement - Civil Penalty |
| 0155-880 | Administrative Law Division Improvements |

| <u>Fund Number</u> | <u>Description</u> |
|--------------------|--------------------------------------|
| 0155-581 | License Fees |
| 0155-587 | Certification of Authority Tax |
| 0155-590 | Statutory - Attorney Fees |
| 0155-591 | Notary Fees |
| 0155-592 | Departmental Fees |
| 0155-593 | Credit Service Organization File Fee |

SPECIAL REVENUE ACCOUNTS

During the audit period, the WVSOS operated the following special revenue accounts:

| <u>Account Number</u> | <u>Description</u> |
|---|-------------------------------------|
| Filing Fees Fund (1601) | |
| 1601-099..... | Unclassified |
| 1601-640..... | Departmental & Miscellaneous Income |
| Publication of State Register Fund (1602) | |
| 1602-099..... | Unclassified |
| 1602-640..... | Departmental & Miscellaneous Income |
| Postcard Registration Law Fund (1603) | |
| 1603-099..... | Unclassified |
| 1603-640..... | Departmental & Miscellaneous Income |
| <u>Account Number</u> | <u>Description</u> |
| Amendment Publication Fund (1604) | |
| 1604-099..... | Unclassified |
| 1604-640..... | Departmental & Miscellaneous Income |

| <u>Account Number</u> | <u>Description</u> |
|--|-------------------------------------|
| Motor Voter Registration Fund (1606) | Unclassified |
| 1606-099..... | |
| 1606-640..... | Departmental & Miscellaneous Income |
| Prepaid Fees and Services (1608) | |
| 1608-099..... | Unclassified |
| 1608-640..... | Departmental & Miscellaneous Income |
| Service Fees and Collection Account (1612) | |
| 1612-001..... | Personal Services |
| 1612-004..... | Annual Increment |
| 1612-010..... | Employee Benefits |
| 1612-099..... | Unclassified |
| 1612-640..... | Departmental & Miscellaneous Income |
| Marriage Celebrants Registration Fee Administration Fund (1613) | |
| 1613-099..... | Unclassified |
| 1613-640..... | Departmental & Miscellaneous Income |
| State Election Fund (1614) | |
| 1614-096..... | Unclassified - Total |
| 1614-553..... | Statutory Transfers |

FEDERAL REVENUE ACCOUNTS

During the audit period, the West Virginia Secretary of State operated the following federal revenue accounts:

| <u>Fund Number</u> | <u>Description</u> |
|--------------------|---------------------------|
| 8854-096 | Unclassified - Total |
| 8854-523 | Investment Earnings |
| 8854-700 | Consolidated Federal Fund |

COMPLIANCE MATTERS

Chapters 3, 5 and 59 of the West Virginia Code generally govern the WVSOS. We tested applicable sections of the above plus other applicable chapters, articles, and sections of the West Virginia Code as well as rules and regulations as they pertain to fiscal matters. Our findings are discussed below.

Lack of Time Sheets

During our test of proper pay and overtime, we were unable to audit compensation paid to 17 of 106 (senior staff and field representatives) employees during both the Manchin and Ireland administrations totaling about \$1,059,137.48 and the related employee benefits estimated at \$353,360.61 because the WVSOS did not require these employees to complete time sheets. We also were unable to test the corresponding sick, annual, and compensatory time accruals for these employees. We tested compensation for ten of the remaining employees who prepare time sheets - half from each administration - and found a total of \$3,255.54 of unsupported compensation made to two employees.

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

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

Time records for employees covered by overtime provisions of the Fair Labor Standards Act of 1938, as amended, §516.2, are required as follows:

“...(a) *Items required.* Every employer shall maintain and preserve payroll or other records containing the following information and data with respect to each employee to whom section 6 or both sections 6

and 7(a) of the Act apply:...

(7) Hours worked each workday and total hours worked each workweek (for purposes of this section, a "workday" is any fixed period of 24 consecutive hours and a "workweek" is any fixed and regularly recurring period of 7 consecutive workdays)...."

Further, the Fair Labor Standards Act of 1938, as amended, §778.107, states in part:

"...The general overtime pay standard in section 7(a) requires that overtime must be compensated at a rate not less than one and one-half times the regular rate at which the employee is actually employed...."

We noted total personal services for our audit period totaled \$4,682,630.90 and related employee benefits totaled \$1,562,268.66. We calculated the compensation for these 17 employees totaled about \$1,059,137.48 or 22.62% total personal services. We further estimated their associated employees benefits would total 22.62% or \$353,360.61. These 17 employees are senior staff and field personnel. Senior staff (six members who are considered "exempt" from the provisions the Fair Labor Standards Act) and field personnel (11 SHARES representatives under the Manchin administration, *VIP/Voting is Powerful* Representatives and Election Fraud Investigators under the Ireland administration, whom the WVSOS considers "nonexempt" in regards to the Fair Labor Standards Act's overtime requirements), were not required to keep a record of hours worked by recording their time on a WVSOS daily attendance sheet or other attendance record. We noted the VIP Representatives were required to submit a report of their activities at the end of each week; however, the report did not state when they began and ended their day, or how many hours were spent on the job each day. The SHARES representatives never kept time sheets. The Election Fraud Investigators stated the number of hours they spent on an investigation in their report which is

submitted at the end of an investigation. (We were told an investigation may take anywhere from 30 to 60 days to complete.)

For two of the ten remaining employees selected for testing, we noted the following payments were not supported by time sheets:

| <u>Employee Name</u> | <u>Pay Period Ending Date</u> | <u>Amount Paid</u> |
|----------------------|-------------------------------|--------------------------|
| Employee #1 | 4/15/2005 | \$ 294.00 |
| Employee #2 | 5/31/2005 | 1,458.33 |
| Employee #2 | 1/13/2006 | 1,135.23 |
| Employee #2 | 1/31/2006 | <u>367.98</u> |
| Totals | | <u>\$3,255.54</u> |

Finally, our review of the payroll records indicated, during the Manchin and Ireland administration, the WVSOS did not include the non-exempt employee's annual increment as part of the annual salary when calculating an hourly rate for overtime purposes. We believe the exclusion of annual increment from the hourly wage rate is in noncompliance with Division of Personnel's Fair Labor Standards Act Interpretive Bulletin.

We recommend the WVSOS comply with the The Fair Labor Standards Act of 1938, as amended, §516.2, and §778.107, Chapter 12, Article 3, Section 13 of the West Virginia Code by maintaining time sheets to support compensation paid to employees and including annual increment in the hourly wage rate calculation for overtime purposes.

Spending Unit's Response

We are aware that our senior staff is exempt and not eligible for overtime. Our

Election Fraud Investigators and VIP Representatives are now submitting monthly time reports to be included in the attendance records. In the prior administration, the SHARES representatives did not keep time sheets.

We were not aware that the annual increment should be included in the hourly wage calculation. Effective immediately, we will include the increment in the calculation. It is our intent to comply with The Fair Standards Act of 1938.

Failure to Follow Purchasing Guidelines

During both the Manchin and Ireland administrations, the WVSOS did not follow State purchasing policies and procedures. From conversations with agency personnel and review of agency records, we noted the following:

A. No Formal Competitive Bid Process

The West Virginia Purchasing Division Policies and Procedures Handbook, Section 7.1, states in part,

*“...All requisitions for commodities and services over \$10,000 must be submitted to the Purchasing Division using **TEAM** or a **Purchase Requisition, WV-35**, for formal competitive bidding...”*

The WVSOS did not submit contracts totaling \$628,099.00 to the Purchasing Division for formal competitive bidding. Rather, the WVSOS had multiple and/or month-to month contracts under \$10,000.00, without obtaining bids, with the following vendors:

| <u>Vendor Name</u> | <u>Contractual and Professional Expenditures</u> |
|-----------------------------|--|
| Oxford Capital Partners LLC | \$378,218.60 |
| Dream Catcher LLC | \$149,275.00 |
| Arnett & Foster | \$ 49,120.00 |
| Tygart Technology Inc. | \$ 51,486.00 |

| | |
|---------------|----------------------------|
| Totals | <u>\$628,099.60</u> |
|---------------|----------------------------|

We were told the WVSOS worked with the Purchasing Division during November 2005, and submitted contracts in accordance with the Purchasing Division Policies and Procedures Handbook.

B. Failure to Use Statewide Contracts and Internal Resources

Also, the Division of Purchasing's Policies & Procedures Handbook, Section 6.1.1,

states in part:

"...Agencies must first check mandatory contracts or internal resources, such as statewide contract or agency open-end contract exists for commodity or service, of if Surplus Property, Correctional Industries or WV Association of Rehabilitation Facilities is able to supply the need...."

In addition, Title 148, Series 3, State Owned Vehicles, Section 11.6, on purchases of tires, states in part:

" Tires ...shall be requested through the Travel Management Office so that the purchases are made using any statewide contracts in effect...."

The WVSOS did not use statewide contracts or Correctional Industries for the Agency's required commodities or services. For the period of July 1, 2003 to June 30, 2006, we observed the WVSOS made purchases from Syscan Corporation on the p-card, totaling \$51,529, and Chapman Printing on the p-card, totaling \$11,445.79, for its office supply needs, when the statewide contract vendor for purchases of office supplies over \$100.00, was Boise Cascade Office Products (Office Max). Also, during the period August 25, 2003 through July 25, 2006, the WVSOS made purchases totaling \$153,054.22 and \$31,638.47, respectively, for printing and binding from at least 12 vendors and from a vendor (Op Shop) for the purchase of envelopes, rather than using Correctional Industries.

In addition, we noted the WVSOS used Value City Furniture to obtain furniture totaling \$1,233.95, instead of Correctional Industries or a statewide contract vendor. Further, we noted during fiscal year 2006, the WVSOS purchased eight tires for a total of \$690.44 for two the agency's vehicle, without going through the State's Travel Management Office, as required by Title 148, Series 3, or using the statewide contract(s) in effect.

C. Internal Purchase Orders

In regard to the manner in which all purchases of the WVSOS are to be made, we were told:

"An internal purchase order called "Request for Authorization to Purchase" is required to be completed and signed by the employee and authorized by the appropriate Division Manager...."

The WVSOS did not follow its own purchasing policies when completing the agency's internal purchase orders. We found nine internal purchase orders where "verbal" (indicating verbal approval was granted) was written in the place of the signature of the authorizing personnel. The Director of Finance stated she would obtain authorization from the appropriate person and write "verbal" in place of their signature, if approval was not obtained prior to her receiving the request.

The reason given us by the Director of Finance for the WVSOS not following the State purchasing guidelines was the current administration continued the practice of the former administration. The Director of Finance explained it was to her understanding the WVSOS was exempt from these guidelines. The WVSOS became aware in 2005 that the agency was not exempt and worked with the Purchasing Division to correct purchasing errors. The Director of Finance informed us during November 2005, the WVSOS had corrected errors previously made, and currently purchases are made in accordance with State purchasing policies and procedures.

We recommend the WVSOS comply with the West Virginia Division of Purchasing Policies & Procedures Handbook and Legislative Rule, Title 148-3-11.6 by obtaining competitive bids when required and using statewide contracts and other internal resources when appropriate.

Spending Unit's Response

A. No Formal Competitive Bid Process

We agree that the office did not follow the guidelines because of a great deal of confusion over purchasing requirements in the past. We are now working closely with Purchasing and are following applicable guidelines.

B. Failure use Statewide Contract and Internal Resources

We agree that the office did not follow the guidelines because of a great deal of confusion over purchasing requirements in the past. We are now working closely with Purchasing and are following applicable guidelines.

C. Internal Purchase Orders

All purchase orders are signed by either the Secretary or Deputy depending on the estimated amount expenditure. Verbal approval is no longer acceptable.

No Authority for Prepaid Receipts

During both the Manchin and Ireland administrations, the WVSOS collected monies from customers and established prepaid accounts where customers could authorize payments from their account for future services; we were unable to locate statutory authority for these advance payments and unable to determine the law, rule or regulation that authorized the Prepaid Fee and Services Fund - Fund 1608. The Prepaid Fees and Services Fund - Fund 1608 at June 30, 2006, June 30, 2005 and June 30, 2004 balance was \$56,138.11, \$69,887.01 and \$58,119.91, respectively.

Further, of the 23 transactions selected for testing, the WVSOS was unable to provide

supporting documentation for seven transactions, during the Manchin and Ireland administrations, totaling \$1,990.50. Our testing also revealed nine instances during the Manchin and Ireland administrations, totaling \$128.00, where the individuals making the purchase were not authorized, per names of individuals on file, at the time of the transaction. The WVSOS disclaims responsibility for determining whether the signature on the prepaid account is of an authorized person.

The WVSOS internal Procedures for Prepaid Accounts, states in part:

“...Regular customers may establish an account with the Secretary of State by depositing a fixed amount from which the cost of services may be deducted. To establish an account, the customer takes the following steps:

1. Complete an application for prepayment account on the form provided. The application must include the names and signatures of all persons authorized to approve payments...

The Secretary of State is not responsible for determining whether the signature is of an authorized person before accepting the transaction....”

The Director of Finance told us there was lack of support for the six of the seven prepaid fund transactions because these were phone orders for documents to be picked up. The last transaction was for a customer who scanned documents into his computer and the WVSOS did not maintain a number of how many documents were scanned. Without supporting documentation we were unable to determine if the correct fees were charged. Additionally, the Director of Finance agreed the WVSOS does not have statutory authority for the Prepaid Fees and Services Fund. Also, the WVSOS has a policy for filing authorized signatures with them; however, they take no responsibility for ensuring persons initiating transactions from customer prepaid accounts have authority to do so.

We recommend the WVSOS seek legislative approval for the above receipts and special revenue fund; we further recommend the WVSOS cease the collection of unauthorized "prepaid" monies and refund customer account balances until such approval is obtained.

Spending Unit's Response

This account was set up in 1994 and approved by then-Deputy State Auditor Paul Mollohan, along with the procedures. It was our belief in 1994 that legislative approval was not required. Had it been mandatory, we believe Mr. Mollohan would have required the office to introduce legislation prior to his approval.

The WVSOS will seek legislative approval for the prepaid account.

Lack of Support for Annual Leave Donation

We were unable to identify the employees who donated 247 days of annual leave to one employee during the Manchin administration worth \$20,713.80 because the supporting documentation could not be located by the WVSOS. Without supporting documentation indicating which employees gave leave, we are unable to determine if donated amounts were reduced from the donor's annual leave balances. Also, from a review of the employee's leave records, we noted the employee accrued and used 19.5 days of sick and 15.97 days of annual leave, totaling \$2,974.57, during August 2003 through August 2004, while receiving donated leave in noncompliance with the Division of Personnel Administrative Rule Title 143.

We noted the Secretary of State Office Handbook states:

"To the extent that any policies, procedures or guidelines related to any aspect of employment with the Office of the Secretary of State are excluded from this or other in-house directives, the Office will defer to the most current policies, procedures or guidelines of the West Virginia Division of Personnel."

The Division of Personnel Administrative Rule Title 143, 2.3.1, states in part:

“...In order to be eligible to receive donations of annual leave,

...(d) The medical condition of the employee or member of the employee’s immediate family must be verified in writing by a physician or medical practitioner as requiring the absence of the employee from work for at least one half a month continuously after the exhaustion of available leave...

(e) The employee must apply to receive donated leave according to procedures established by the Director of Personnel....”

Also, the Division of Personnel Administrative Rule Title 143, 2.4, states in part:

“...Employees who are recipients of donated leave are considered in leave without pay status in accordance with the Administrative Rule of the Division of Personnel, 143CSR1....”

Additionally, the Division of Personnel Administrative Rule Title 143, 2.4.3 (a), states in part:

“...Recipients do not accrue annual or sick leave, nor do they earn years of service credit for leave accrual purposes, while in this status;...”

Further, the Division of Personnel Administrative Rule Title 143, 2.63, states in part:

“...Appointing authorities shall maintain all records of donations and use of donated leave in accordance with procedures established by the Division of Personnel....”

Also, the Division of Personnel Administrative Rule Title 143, 2.3.2, states in part:

“...In order to be eligible to make donations of annual leave,

...(b) The employee must make the leave donation according to procedures established by the Director of Personnel...”

Agency personnel could not provide us with the records of who donated the leave under the State’s Leave Donation Program. The Director of Finance told us the documents had been misfiled or misplaced. Also, the Director of Finance told us the employee accrued annual and sick leave while on leave status because it was the first time she dealt with an employee receiving donated leave and thought that the employee continued to accrue sick and annual leave as long as the

employee was on the payroll.

We recommend the WVSOS comply with the Division of Personnel's Title 143, Series 2, Leave Donation Program and maintain records of donor's and donation amounts.

Spending Unit's Response

We will comply with the Division of Personnel's Title 143, Series 2, Leave donation Program and maintain records of donors and donation amounts.

Incorrect Termination Pay

We tested five of 24 employees who terminated their employment with the WVSOS during the period of July 1, 2003 and June 30, 2006. We noted of the five employees tested, three employees were overpaid a total of \$1,675.33, and one employee was underpaid a total of \$1,151.93. These payments are detailed below:

| <u>Employee</u> | <u>Administration</u> | <u>Audited Total Gross Pay</u> | <u>Total Gross Pay</u> | <u>Difference (Over)/Under</u> |
|-----------------|-----------------------|--------------------------------|------------------------|--------------------------------|
| #1 | Manchin | \$ 5705.21 | \$ 4553.28 | \$1,151.93 |
| #2 | Ireland | \$ 1,930.24 | \$ 2,512.97 | (\$ 582.73) |
| #3 | Ireland | \$ 6143.69 | \$ 7317.39 | (\$ 1173.70) |
| #4 | Ireland | \$ 3152.85 | \$ 3526.29 | (\$ 373.44) |
| Totals | | <u>\$16,931.99</u> | <u>\$17,909.93</u> | <u>(\$ 977.94)</u> |

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

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

Also, Chapter 29, Article 6, Section 10, subsection (12), states in part:

“If separation is required by the employer in lieu of any advance notice of discharge, ...the employee is entitled to receive severance pay attributable to time the employee otherwise would have worked, up to a maximum of fifteen calendar days following separation. Receipt of severance pay does not affect any other right to which the employee is entitled with respect to the discharge....”

Further, Title 143, Series 1, Section 12, of the Division of Personnel, states in part:

“12.2 Dismissals

...(b) ...the employee is entitled to receive severance pay attributable to the time he or she otherwise would have worked, up to a maximum of fifteen calendar days after vacating the workplace....”

We noted that during the Manchin and Ireland administrations, the WVSOS did not calculate the optional lump-sum annual leave payments in accordance with the above statute. We found the WVSOS calculates the pay-out of annual leave based on using the employee's annual salary, calculating a daily rate, and multiplying the daily rate by the employee's ending annual leave balance. However, the lump-sum annual leave payment should equal the amount the employee would have collected had the employee remained on the payroll; therefore, the correct calculation counts, on a calendar, the number of days in the ending annual leave balance - excluding holiday, weekends and other noncountable time - and determines the amount of compensation due based on the date the annual leave would have been extinguished.

The compensation differences resulting in the method used by the WVSOS and the method required by law can either overstate or understate amounts due because an employee's daily rate changes each month depending upon the number of work days in that month. The error in the annual leave tenure calculation also affected the prorated annual increment calculation for these employees. Secondly, we noted the WVSOS did not compensate employee #2 and employee #3 for

prorated annual increment. Finally, we noted employee #3 was terminated and received an additional semi-monthly pay for "severance"; however, the WVSOS duplicated the severance payment. The Director of Finance stated she, in error, overpaid the employee the additional semi-monthly severance pay after his employment was terminated by the WVSOS.

We recommend the WVSOS comply with Chapter 5, Article 5, Section 3 and Chapter 29, Article 6, Section 10 of the West Virginia Code, and the West Virginia Department of Personnel Administrative Rule, Series 1, Title 143. We further recommend the WVSOS review the compensation paid to all employees who terminated during our audit period, determine if compensation adjustments are necessary and, if so determined, seek to recover overpayments as well as compensate underpaid employees.

Spending Unit's Response

We agree that we made an error in compensating employees #1, #2, #3, and #4. These were oversights and measures have been taken to prevent this from reoccurring.

We disagree with the report regarding how to calculate termination pay. As directed by the Payroll Division of the State Auditor's Office, based on their interpretation of State Code and an Attorney General's Opinion, we calculate lump-sum annual leave payments by dividing the annual salary by 1,950 to obtain hourly rate of pay and then multiply the employee's ending annual leave balance.

WVSOS's Receipts System

We believe the WVSOS should strengthen internal controls over the accounting for receipts by performing reconciliations between the revenues recorded in the WVSOS internal accounting system and amounts deposited in the State's accounting system (WVFIMS). During both the Manchin and Ireland administrations, the WVSOS recorded receipts into the internal accounting

system; however, no reconciliation was performed between revenues recorded in the WVSOS internal accounting system and amounts deposited in WVFIMS. We attempted to reconcile amounts between these two systems for the period under audit and determined the WVSOS system had approximately \$425,000 more in receipts than amounts deposited in WVFIMS, of which, subsequent to our exit conference on November 16, 2007, the WVSOS correctly identified the reason was due to monies received by the WVSOS for "prepaid funds" are recorded twice as receipts in the internal accounting system and we were able to reconcile the amounts between the two systems. Thus, once the duplicate receipt issue was taken into consideration, no material difference was noted between the WVSOS internal accounting system and amounts deposited into WVFIMS. If the WVSOS performed reconciliations between the two systems, we could have easily identified the cause of the difference.

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

"§5A-8-9. Duties of agency heads.

The head of each agency shall:

(a) Establish and maintain an active, continuing program for the economical and efficient management of the records of the agency.

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

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

rules and regulations which govern it. We believe the SOS needs to perform reconciliation procedures to ensure all receipts are accounted for.

The WVSOS accounts for most receipts received by the office through a computerized accounting/cash register system referred to as the "Receipts System". WVSOS staff obtains a deposit report from the Receipts System and reconciles the daily receipts in the cash register to the report and a WVFIMS deposit cover sheet is prepared. However, no accounting is made of other types of receipts received by the WVSOS such as e-commerce sales received through the Treasurer's Office e-commerce system (i.e. credit card sales) and revenue transfers received from the State Tax Department and the Division of Motor Vehicles – these revenues are not entered into the Receipt System; hence, no reconciliation of all receipts received by the WVSOS can be performed to ensure the computerized system is operating properly and all receipts are accounted for. Additionally, prepaid revenues are duplicated in the Receipts System. The prepaid revenues are entered when received and, in turn, deposited in WVFIMS. Also, prepaid transactions are entered in the Receipts System when services are rendered but no monies are received. Thus, the prepaid funds are receipted twice in the system.

Also, in our deposit allocation test, we selected 50 daily deposits for testing (from each administration) to determine if allocation of receipts among the WVSOS accounts were being made in accordance with the law. We found eight of the 50 deposits made during the Manchin and Ireland administrations had allocation errors totaling \$2,260.10. Further, during our Test of County Reimbursements, we found, during the Manchin and Ireland administrations, the WVSOS incorrectly coded the entire amounts of four deposits totaling \$41,649.35 as election's photo copies rather than purchases of voter registration lists. This coding error resulted in the \$41,649.35 of receipts being

deposited evenly between the Service Fees and Collection Account - Fund 1612, and Departmental Fees- Fund 0155-592, rather than the entire amount being deposited in the Motor/Voter Registration Fund-Fund 1606 as required by Chapter 3, Article 2, Section 30 of the West Virginia Code, which states in part:

“(e)...the WVSOS may make voter lists available for sale subject to the limitations as provided in this section for counties, except that the cost shall be one and one-half cents per name plus ten dollars for each disk required. One cent per name for each voter from a particular county on each list sold shall be reimbursed to the appropriate county and one-half cent per name shall be deposited to a special account for purpose of defraying the cost of the preparation of the lists.”

The Director of Finance believed the \$2,260.10 allocation errors noted in our Test of Deposit Allocations were caused by human error and a computer programming error. She stated the computer programmers were notified of the problem and they were working to resolve it. Also, the Director of Finance attributed the incorrect coding and resulting inaccurate allocation of \$41,649.35 noted in our Test of County Reimbursements were caused by clerical errors.

We recommend the WVSOS strengthen internal controls over the accounting for and reconciling of receipts as well as comply with Chapter 5A, Article 8, Section 9, Chapter 3, Article 2, Section 30, of the West Virginia Code.

Spending Unit's Response

A. During the audit, there was misunderstanding regarding our accounting procedures for our “prepaid funds” or our coding of these transactions in our receipt system. Once this was understood, there was no appreciable difference in our internal accounting system and the amounts deposited in the State’s accounting system (WVFIMS).

B. \$41,649.35 - Clerical error – should have been deposited in 1606 rather than fees account. Future transactions will be reviewed more closely.

C. *We had an issue with a computer program allocating transactions incorrectly. The programming issue has been corrected.*

WVSOS will implement stronger internal controls over the accounting for receipts by performing monthly reconciliations between the revenues recorded in the WVSOS internal accounting system and amounts deposited in the State's accounting system (WVFIMS) to ensure all receipts are accounted for.

Refunds to Customers

During both the Manchin and Ireland administrations, the WVSOS issued refunds totaling approximately \$235,000. The WVSOS did not maintain supporting documentation for some types of refund transactions and no supervisory approval was required for a cashier to process a refund in the receipts system, however, the refund is approved by a responsible WVSOS individual via electronic signature on the WVFIMS coversheet before a check is issued. We were also told by a representative of the State Auditor's Office the only supporting documentation required for a refund was a memorandum from the agency stating the reason for the refund or the original document that supports the refund. We noted the WVSOS prints a "refund report" from the computerized receipt system which the State Auditor's Office accepted as support. Supervisory approval before a cashier processes a refund is required by WVSOS Administrative Standard Operating Procedure 14a, which states in part:

"...Prior to cashier processing refunds through the receipt system, fiscal officer and or team leader of administration must approve for processing..."

Without supporting documentation other than notations entered into the computerized receipt system, we were unable to determine if such refunds were issued from corresponding revenues received and made for services not provided. We also noted the WVSOS paid approximately 7,500

refunds during the period under audit. We were told by a representative of the State Treasurer's Office the cost to issue a check was approximately \$45.00. We applied this cost to the number of checks issued as noted below and determined the State incurred processing costs of approximately \$342,000 to issue \$235,000 in refunds.

| <u>Refund Range</u> | <u>Number of Refunds Issued</u> | <u>Per Check Cost</u> | <u>Total Check Cost</u> | <u>Refund Amount</u> |
|---------------------|---------------------------------|-----------------------|-------------------------|----------------------|
| \$0 to \$1.00 | 34 | \$45 | \$ 1,530.00 | \$ 30.45 |
| \$1.01 to \$5.00 | 2,299 | \$45 | \$103,455.00 | \$ 8,217.39 |
| \$5.01 to \$45.00 | 4,391 | \$45 | \$197,595.00 | \$ 87,001.90 |
| Over \$45.00 | <u>874</u> | \$45 | <u>\$ 39,330.00</u> | <u>\$140,363.09</u> |
| | <u>7,598</u> | | <u>\$341,910.00</u> | <u>\$235,612.83</u> |

From an interview with the Director of Finance, a refund occurs when one of the two cashiers or the employee processing the request(s) for service becomes aware a customer has overpaid while they are processing the customer's payment accompanying his/her application or request for services. Further, she informed us there was no approval by management prior to the cashier processing refunds through the receipt system. She also stated the WVSOS generally does not maintain supporting documentation for all refunds processed. In addition, agency personnel told us the support for refunds is only maintained for (1) applications which are returned by the customer to be reprocessed for the correct amount; (2) private investigators/security guard applications; (3) athlete agent/marriage registry applications; (4) notary applications; (5) legal notices; and (6) candidate filings. Support is not maintained for (1) requests for services/verifications that cannot be provided to customers due to either certain criteria not being met, nonexistence of registration, or nonexistence of a company; (2) overpayments; (3) duplicate requests/filings; incomplete requests where paperwork is sent back to customers to complete; and (4) unacceptable requests.

We recommend the WVSOS complying with its Administrative Standard Operating Procedure 14a by requiring supervisory approval of refunds prior to cashiers processing refunds

through the receipt system and strengthen internal controls by maintaining support documentation for refunds. Further, we recommend the WVSOS review refund procedures to determine if the number of refunds issued could be reduced to improve cost efficiency.

Spending Unit's Response

A. Some years ago, we did print the request for refund first which was approved by the appropriate manager. However, for the past six years, due to advanced technology we have been able to expedite our refund procedure and better serve our customers by issuing refunds immediately and then have a member of senior staff approve electronically through the FIMS system. We will review our policy for refunds and attempt to strengthen our internal controls.

B. We cannot find anything in the State Code which allows us not to issue refunds for overpayments. We agree that it is not cost efficient to issue small refunds but cannot find legal justification not to refund the overpayments. We are open to any suggestions as to how this issue can be resolved, including asking the Legislature to change Code.

Lack of Date Stamps

During both the Manchin and Ireland administrations, we were unable to determine if invoices were processed within 10 days of receipt because no date stamp was found on the supporting documentation for 84 of 131 transactions selected for testing. For the State to avoid paying interest to vendors for untimely payment of legitimate and uncontested invoices, legitimate uncontested invoices and other appropriate documentation, including receiving report, need to be submitted timely to the State Auditor's Office for final processing.

Also, Chapter 5A, Article 3, Section 54 of the West Virginia State Code, the "Prompt Pay Act of 1990," states in part:

“...(3) For purposes of this subsection, an invoice shall be deemed to be received by a state agency on the date on which the invoice is marked as received by the agency...”

“...(d) The state agency initially receiving a legitimate uncontested invoice shall process such invoice for payment within ten days from its receipt...”

During our examination of contractual and professional transactions, we noted 56 of 59 invoices tested, totaling \$999,569.13 were not date stamped. Also, during our examination of vehicle operating expense transactions, we noted 25 of 26 invoices tested, totaling \$9,434.80 were not date stamped. Further, during our examination of cash disbursements, we noted the WVSOS did not date/time stamp three of 50 invoices tested, totaling \$2,012.50. Therefore, we could not identify the date on which the invoices were received and whether the invoices were processed for payment timely in accordance of the Prompt Pay Act of 1990.

The Director of Finance stated the WVSOS stamps the date/time on the back of the invoice; however, the WVSOS does not copy the back of the invoice for the copy the WVSOS retains for its record. Thus, we are unable to determine the WVSOS date/time stamped invoices upon receipt for 84 of the 131 invoices tested, totaling \$1,011,016.43. In effect, we were unable to determine if the invoices were processed for payment within ten days from their receipt in accordance with the Prompt Pay Act of 1990.

We recommend the WVSOS comply with Chapter 12, Article 3, Section 10f and Chapter 5A, Article 3, Section 54 of the West Virginia Code by maintaining supporting documentation indicating the date invoices are received.

Spending Unit's Response

Some of our invoices were being date stamped on the back by employees opening

the mail. All invoices are now being stamped on the front of the invoice as documentation that invoices are being processed within 10 days of receipt.

Untimely Transfer and Deposits

During the Manchin administration, the WVSOS did not transfer \$121,510.66 in excess collections from a special revenue account to the State's General Revenue Fund timely. We also noted in our test of 50 cash receipt transactions, two deposits were not made within 24 hours and we were unable to determine if an additional 22 deposits were made timely because of lack of documentation that indicated when the monies were received.

Our review of the State Auditor's Account Status Report for the 13th month of fiscal year 2004 revealed the WVSOS did not transfer \$121,510.66 in excess of the \$500,000 threshold authorized by law from the Service Fees and Collection Account - Fund 1612 to the State General Revenue as of June 30, 2003 until 409 days later on August 12, 2004. Chapter 59, Article 1, Section 2 (g) of the West Virginia Code, as amended, states in part,

“...Any balance in the service fees and collections account established by this section which exceeds five hundred thousand dollars as of the thirtieth day of June, two thousand three, and each year thereafter, shall be expired to the state fund, general revenue fund....”

We compared the date-stamp on supporting documentation to the actual deposit date for the receipts selected for testing and found two out of 50 cash receipts totaling \$342.50, were not deposited within 24 hours of receipt. Additionally, we could not determine whether an additional 22 of the 50 cash receipts transactions totaling \$733.92, were deposited in a timely manner because of lack of supporting documentation. Chapter 12, Article 2, Section 2 of the West Virginia Code states in part:

“(a) 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 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...”

The Director of Finance stated she did not realize the funds were required to be transfer and thought the funds would automatically expire. Upon being notified that they did not automatically expire, she transferred the funds with the fiscal year 2004 monies. The untimely transfer of the fiscal year 2003 excess monies totaling \$121,510.66 to the State’s General Revenue Fund results in monies not available for reappropriation for fiscal year 2004. Further, receipts should be deposited timely in order for the State to earn interest and safeguard the monies from unauthorized use or disposition.

We recommend the WVSOS to comply with Chapter 59, Article 1, Section 2 (g) of the West Virginia Code, as amended, and Chapter 12, Article 2, Section 2 of the West Virginia State Code. We further recommend the WVSOS strengthen internal controls over cash receipts by transferring excess monies and making deposits timely.

Spending Unit’s Response

A. The Code requires that anything in excess of \$500,000 will be expired to the state fund. 2004 was the first year for this process to be used.. We interpreted the Code to mean that unused funds over \$500,000 would automatically “expire” to the state fund. Once it was brought to our attention that we needed to process a revenue transfer, it was done immediately. We now promptly transfer excess money at the beginning of each fiscal year for the previous year.

B. On occasion it would be necessary for us to hold revenue because we were

dealing with a customer service issue. We will no longer hold revenue and thus will comply with Chapter 12 of the WV Code.

Lack of Support for Transactions

During our audit, agency personnel could not provide us with supporting documentation for expense transfer WVFIMS# E000594398 totaling \$23,032.57 made during the Ireland administration on June 24, 2005. We obtained the WVFIMS cover sheet from the State's computerized accounting system and noted the transaction reflects \$14,663.98 of personal services and \$8,368.59 of employee benefits expensed in fiscal year 2005 from General Revenue were transferred to fiscal year 2003 and 2004 reappropriated General Revenue accounts under Object Code 051 - Miscellaneous. Without supporting documentation for this transfer, we were unable to determine if the personal service transfer was made in accordance with the expenditure schedule or if an error correction was being made.

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

“The head of each agency shall:...

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

We recommend the WVSOS maintain supporting documentation for transactions in accordance with Chapter 5A, Article 8, Section 9 of the West Virginia Code.

Spending Unit's Response

The WVSOS will maintain supporting documentation for all transactions in accordance with the WV Code.

Reimbursement to Counties for Voter Registration Services

During our test of reimbursements to counties and agencies for services provided for voter registration, we noted, during the Ireland administration, in the first calendar quarter of 2006, the WVSOS made a mistake in marriage license reimbursement calculations which resulted in counties being underpaid \$993.00 for the reimbursements due the marriage license offices. Title 153, Series 25, Combined Voter Registration and Driver Licensing Fund, states in part,

“...2.5. "Designated agency" means an agency, department, division or office of state or local government, or a program supported by state funds, which is designated to provide voter registration services by the provisions of W. Va. Code §3-2-13 or by rules promulgated under that section...

4.2. The WVSOS shall reimburse the appropriate county at a rate of \$.50 for each completed registration application received at a registration site and forwarded to the appropriate registration official...

4.2.2. The WVSOS shall make the reimbursement under this subsection on a quarterly basis.

4.3. The WVSOS shall reimburse the Division of Motor Vehicles, the Division of Public Safety, and the designated agencies at a rate of one dollar (\$1.00) per completed registration application...

4.3. The WVSOS shall make the reimbursements under this subsection on a quarterly basis....”

The Manager of the Elections Division agreed the calculation for the marriage license

reimbursement was incorrect due to an error in a computerized formula used in the reimbursement calculation.. As a result, affected counties were underpaid \$993.00, for the reimbursements due the marriage license offices.

We recommend the WVSOS comply with Title 153, Series 25, Combined Voter Registration and Driver Licensing Fund and reimburse the counties appropriately.

Spending Unit's Response

We agree that the calculation for the marriage license reimbursement was incorrect due to an error in a computerized formula used in the reimbursement calculation. We have corrected the computer issue and have made every effort to ensure that this error does not reoccur.

Misclassified Expense Transfers and Expenditures

We noted during the Manchin and Ireland administrations, the WVSOS misclassified eight expense transfers totaling \$38,542.00 to other agencies for services provided in accordance with applicable State law. In addition, during the Manchin and Ireland administrations, the WVSOS misclassified other expenditures in the amount of \$5,678.00, and the administrative fees for employee health benefits in the amount of \$2,400.00.

During the substantive test of Miscellaneous (expenses) - Object Code 051, we noted the WVSOS transferred \$37,498.00 in seven transactions and one additional transfer of \$1,044.00 to the West Virginia Division of Motor Vehicles (DMV) and the West Virginia Department of Health and Human Resources' Women, Infant, and Children (WIC) Program, respectively, in error instead of transferring the expense from object code 093 - Reimbursement, since the transfers were for services provided in accordance with applicable State law.

Also, during our test of computer supplies, equipment, and software (Object Codes 054, 170, and 171) expenditures, we noted the WVSOS paid \$3,970.00 (WVFIMS ID #1006995568) and \$1,708.00 (WVFIMS ID #I006945258), or a total of \$5,678.00, in error, from object code 170 - Computer Equipment and object code 171 - Computer Software, respectively. We believe computer supplies, equipment, and software expenditures with a value less than \$5,000.00 should have been paid from object code 054 - Computer Supplies and Equipment.

Further, during the substantive test of Employee Benefits - Object Code 010 - Personnel Division and Public Employees' Insurance, we noted the WVSOS paid the Public Employees' Insurance administrative fees for fiscal year 2005, totaling \$2,400.00, in error, from object code 012 - Public Employees' Insurance (premiums). We believe Public Employees' Insurance administrative fees should have been paid from object code 010 - Personnel Division and Public Employees' Insurance.

West Virginia Code Chapter 3, Section 2, Article 12, as amended, states in part,

"...(a) Fifty cents of each license fee collected pursuant to the provisions of section one (§17-3-1), article three, chapter seventeen of this code shall be paid into the state treasury to the credit of a special revenue fund to be known as the "Combined Voter Registration and Driver Licensing Fund". The moneys so credited to such fund may be used by the WVSOS for the following purposes...

...(5) Reimbursement to state funded agencies designated to provide voter registration services under this chapter for personnel costs associated with the time apportioned to voter registration services and assistance...."

Also, Chapter 11B, Article 2, Section 12 of the West Virginia Code states in part:

"(a) Prior to the beginning of each fiscal year, the spending officer of a spending unit shall submit to the secretary a detailed expenditure

schedule for the ensuing fiscal year. The schedule shall be submitted in such form and at such time as the secretary may require. The schedule shall show:...

...(3) A proposed quarterly rate of expenditure for amounts appropriated for employee benefits, current expenses, equipment and repairs and alterations classified by a uniform system of accounting as called for in section twenty-five of this article for each item of every appropriation;...”

In order to obtain a uniform system of accounting, the Expenditure Schedule Instructions distributed by the State Budget Office include detailed definitions of object codes included under each category of expenditure.

We recommend the WVSOS comply with the object code definitions as provided for State of West Virginia Expenditure Schedule Instructions to comply with Chapter 11B, Article 2, Section 12 of the West Virginia Code.

Spending Unit's Response

Object Code 051 v Object Code 093 – We do not agree that these were incorrect transfers. We were directed by the State Auditor's office to use Object Code 051 for this particular transfer.

We agree that the computer supplies, equipment, and software were incorrectly coded. We will ensure better auditing practices to eliminate this problem in the future.

We also agree that we inadvertently paid the administrative fees from 012 rather than 010.

We will strive to comply with the object code definitions.

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 Secretary of State for the years ending June 30, 2006, June 30, 2005 and June 30, 2004. The financial statement is the responsibility of the management of the West Virginia Secretary of State. Our responsibility is to express an opinion on the financial statement based on our audit.

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

During our audit period, West Virginia Secretary of State did not require 17 employees to complete time sheets. Total personal services and employee benefit expenditures for the audit period was \$4,682,630.90 and \$1,562,268.66, respectively. Without time sheets, we are unable to obtain sufficient audit evidence to support approximately \$1,059,137.48 or 22.62% of personal services paid to these employees as well as the corresponding employee benefits for these employees which totaled about \$353,360.61.

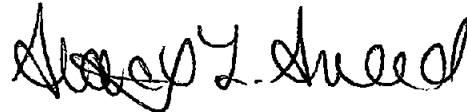
As described in Note A, the financial statement was prepared on the cash and modified cash bases of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine time records for 17 employees to support the compensation and employee benefits paid to them for services rendered, the financial statement referred to in the first paragraph above presents fairly, in all material respects, the appropriations and expenditures and revenues collected and expenses paid of the West Virginia Secretary of State for

the years ended June 30, 2006, June 30, 2005 and June 30, 2004 on the bases of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence supporting personal services and the corresponding employee benefits for 17 employees as noted above, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,



Stacy L. Sneed, CPA, Acting Director
Legislative Post Audit Division

December 13, 2006

Auditors: Jean A. Krebs, Audit Manager
Ethelbert Scott, Jr., CPA, Audit Manager
Peter J. Maruish, Jr., CPA, Auditor-in-Charge
Katherine M. Hodge, Auditor III
Jamie L. Gilbert, Auditor II

WEST VIRGINIA SECRETARY OF STATE

STATEMENT OF APPROPRIATIONS/CASH RECEIPTS, EXPENDITURES/

DISBURSEMENTS AND CHANGES IN FUND BALANCES

| | <u>Year Ended June 30, 2006</u> | | | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | <u>General</u> <u>Revenue</u> | <u>Special</u> <u>Revenue</u> | <u>Federal</u> <u>Revenue</u> | <u>Combined</u> <u>Totals</u> |
| Appropriations/Cash Receipts: | | | | |
| Appropriations | \$3,368,380.31 | \$ 0.00 | \$ 0.00 | \$3,368,380.31 |
| Corporate Charter Tax | 495,329.96 | 0.00 | 0.00 | 495,329.96 |
| Examination Fees | 65,425.00 | 0.00 | 0.00 | 65,425.00 |
| Operating Permit Fees | 47,967.50 | 0.00 | 0.00 | 47,967.50 |
| Statutory Transfers | 0.00 | 0.00 | 0.00 | 0.00 |
| Certificate of Authority Tax | 488,320.05 | 0.00 | 0.00 | 488,320.05 |
| Statutory - Attorney Fees | 151,656.01 | 0.00 | 0.00 | 151,656.01 |
| Notary Fees | 134,567.50 | 0.00 | 0.00 | 134,567.50 |
| Departmental Fees | 425,445.06 | 0.00 | 0.00 | 425,445.06 |
| Other Collections, Fees, Licenses and Income | 0.00 | 2,769,138.48 | 0.00 | 2,769,138.48 |
| General Services Administration | 0.00 | 0.00 | 48,354.00 | 48,354.00 |
| Investment Earnings | <u>0.00</u> | <u>0.00</u> | <u>607,731.35</u> | <u>607,731.35</u> |
| | <u>5,177,091.39</u> | <u>2,769,138.48</u> | <u>656,085.35</u> | <u>8,602,315.22</u> |
| Expenditures/Disbursements: | | | | |
| Personal Services | 676,802.96 | 1,026,468.74 | 88,789.93 | 1,792,061.63 |
| Annual Increment | 17,450.00 | 10,508.33 | 0.00 | 27,958.33 |
| Employee Benefits | 232,552.49 | 329,272.59 | 30,613.52 | 592,438.60 |
| Current Expenses | 205,202.30 | 1,000,342.37 | 1,406,182.27 | 2,611,726.94 |
| Repairs and Alterations | 0.00 | 5,425.38 | 0.00 | 5,425.38 |
| Equipment | 0.00 | 7,500.00 | 0.00 | 7,500.00 |
| Books and Periodicals | 0.00 | 66,415.62 | 0.00 | 66,415.62 |
| Bank Costs | 0.00 | 17,357.64 | 0.00 | 17,357.64 |
| Other Interest and Penalties | 0.00 | 0.00 | 1,002.77 | 1,002.77 |
| Counties and Municipalities | 1,781,971.87 | 29,516.84 | 35,406.93 | 1,846,895.64 |
| Fund Transfer | 0.00 | 166,032.64 | 0.00 | 166,032.64 |
| Transfers to the General Fund | 1,808,711.08 | 0.00 | 0.00 | 1,808,711.08 |
| PEIA Reserve Transfer | 0.00 | 16,809.00 | 0.00 | 16,809.00 |
| Computer Equipment | 0.00 | 35,677.20 | 10,873,948.40 | 10,909,625.60 |
| Computer Software | 0.00 | 11,917.34 | (321,964.00) | (310,046.66) |
| Federal Subrecipient Disbursement | 0.00 | 0.00 | 100,442.50 | 100,442.50 |
| Revenue Refunds | <u>0.00</u> | <u>32,671.54</u> | <u>0.00</u> | <u>32,671.54</u> |
| | <u>4,722,690.70</u> | <u>2,755,915.23</u> | <u>12,214,422.32</u> | <u>19,693,028.25</u> |
| Appropriations/Cash Receipts Over/(Under) | | | | |
| Expenditures/Disbursements | 454,400.69 | 13,223.25 | (11,558,336.97) | (11,090,713.03) |
| Expirations and Expenditures after June 30 | 454,400.69 | 0.00 | 0.00 | 454,400.69 |
| Beginning Balance | <u>0.00</u> | <u>2,110,385.44</u> | <u>18,655,481.81</u> | <u>23,028,502.56</u> |
| Ending Balance | <u>\$ 0.00</u> | <u>\$2,123,608.69</u> | <u>\$ 7,097,144.84</u> | <u>\$11,483,388.84</u> |

See Notes to Financial Statements

| General | Year Ended June 30, 2005 | | | General | Year Ended June 30, 2004 | | |
|---------------------|--------------------------|------------------------|------------------------|---------------------|--------------------------|------------------------|------------------------|
| | Special | Federal | Combined | | Special | Federal | Combined |
| Revenue | Revenue | Revenue | Totals | Revenue | Revenue | Revenue | Totals |
| \$3,439,331.22 | \$ 0.00 | \$ 0.00 | \$3,439,331.22 | \$1,375,986.58 | \$ 0.00 | \$ 0.00 | \$1,375,986.58 |
| 461,671.20 | 0.00 | 0.00 | 461,671.20 | 447,990.19 | 0.00 | 0.00 | 447,990.19 |
| 63,563.50 | 0.00 | 0.00 | 63,563.50 | 58,515.50 | 0.00 | 0.00 | 58,515.50 |
| 44,816.75 | 0.00 | 0.00 | 44,816.75 | 41,947.50 | 0.00 | 0.00 | 41,947.50 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 489,261.19 | 0.00 | 0.00 | 489,261.19 | 623,690.48 | 0.00 | 0.00 | 623,690.48 |
| 161,070.39 | 0.00 | 0.00 | 161,070.39 | 309,315.00 | 0.00 | 0.00 | 309,315.00 |
| 120,588.99 | 0.00 | 0.00 | 120,588.99 | 120,852.00 | 0.00 | 0.00 | 120,852.00 |
| 396,247.45 | 0.00 | 0.00 | 396,247.45 | 268,611.27 | 0.00 | 0.00 | 268,611.27 |
| 0.00 | 2,751,567.55 | 0.00 | 2,631,191.05 | 0.00 | 2,768,576.79 | 0.00 | 2,768,576.79 |
| 0.00 | 0.00 | 12,619.00 | 12,619.00 | 0.00 | 0.00 | 15,303,569.00 | 15,303,569.00 |
| 0.00 | 0.00 | 391,161.74 | 391,161.74 | 0.00 | 0.00 | 0.00 | 0.00 |
| 5,176,550.69 | 2,631,191.05 | 403,780.74 | 8,211,522.48 | 3,246,908.52 | 2,768,576.79 | 15,303,569.00 | 21,319,054.31 |
| 670,246.78 | 765,944.30 | 28,947.95 | 1,465,139.03 | 597,668.15 | 827,762.09 | 0.00 | 1,425,430.24 |
| 9,902.00 | 10,098.00 | 0.00 | 20,000.00 | 9,300.00 | 9,300.00 | 0.00 | 18,600.00 |
| 230,288.26 | 229,947.55 | 10,817.08 | 471,052.89 | 223,742.23 | 275,034.94 | 0.00 | 498,777.17 |
| 241,861.73 | 955,369.52 | 309,883.39 | 1,507,114.64 | 113,043.79 | 1,031,439.51 | 923,145.31 | 2,067,628.61 |
| 0.00 | 24,691.50 | 0.00 | 24,691.50 | 0.00 | 13,230.23 | 0.00 | 13,230.23 |
| 0.00 | 15,699.96 | 0.00 | 15,699.96 | 0.00 | 5,595.89 | 0.00 | 5,595.89 |
| 115.23 | 2,893.11 | 0.00 | 3,008.34 | 320.79 | 25,228.63 | 0.00 | 25,549.42 |
| 153.20 | 6,075.11 | 0.00 | 6,228.31 | 0.00 | 6,429.40 | 0.00 | 6,429.40 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 154,425.52 | 1,445.00 | 155,870.52 | 0.00 | 49,095.08 | 0.00 | 49,095.08 |
| 0.00 | 522,017.62 | 0.00 | 522,017.62 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1,737,219.47 | 0.00 | 0.00 | 1,737,219.47 | 1,870,921.94 | 0.00 | 0.00 | 1,870,921.94 |
| 0.00 | 14,578.00 | 0.00 | 14,578.00 | 0.00 | 14,394.00 | 0.00 | 14,394.00 |
| 6,964.00 | 37,517.29 | 0.00 | 44,481.29 | 0.00 | 34,049.00 | 218,104.00 | 252,153.00 |
| 0.00 | 98,687.00 | 15,781.20 | 114,468.20 | 711.25 | 23,799.44 | 848,346.00 | 872,856.69 |
| 0.00 | 0.00 | 21,929.00 | 21,929.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 31,241.57 | 0.00 | 31,241.57 | 0.00 | 47,436.44 | 0.00 | 47,436.44 |
| <u>2,896,750.67</u> | <u>2,869,186.05</u> | <u>388,803.62</u> | <u>6,154,740.34</u> | <u>2,815,708.15</u> | <u>2,362,794.65</u> | <u>1,989,595.31</u> | <u>7,168,098.11</u> |
| 2,279,800.02 | (237,995.00) | 14,977.12 | 2,056,782.14 | 431,200.37 | 405,782.14 | 13,313,973.69 | 14,150,956.20 |
| 2,279,800.02 | 0.00 | 0.00 | 2,279,800.02 | 431,200.37 | 0.00 | 0.00 | 431,200.37 |
| 0.00 | 2,348,380.44 | 18,640,504.69 | 20,988,885.13 | 0.00 | 1,942,598.30 | 5,326,531.00 | 7,269,129.30 |
| <u>\$ 0.00</u> | <u>\$2,110,385.44</u> | <u>\$18,655,481.81</u> | <u>\$20,765,867.25</u> | <u>\$ 0.00</u> | <u>\$2,348,380.44</u> | <u>\$18,640,504.69</u> | <u>\$20,988,885.13</u> |

WEST VIRGINIA SECRETARY OF STATE

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 revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

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

| | <u>Expenditures</u> | | | <u>Expirations</u> | | |
|-------------------|----------------------------|-------------|-------------|--------------------|-----------------|-----------------|
| | <u>Paid After June 30,</u> | | | <u>July 31,</u> | <u>July 31,</u> | <u>July 31,</u> |
| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| Personal Services | \$0.00 | \$0.00 | \$ 0.00 | \$ 5,276.88 | \$ 0.00 | \$30,686.77 |
| Salary of Elected | | | | | | |
| Official | 0.00 | 0.00 | 0.00 | 0.16 | 2,740.30 | 0.08 |
| Annual Increment | 0.00 | 0.00 | 0.00 | 3,225.00 | 998.00 | 0.00 |
| Employee | | | | | | |
| Benefits | 0.00 | 0.00 | 2,274.86 | 3,883.51 | 2,916.66 | 10,153.91 |
| Pension Bond | | | | | | |
| Amendment | 0.00 | 0.00 | 0.00 | 43,247.43 | 1,978,723.99 | 0.00 |

| | | | | | | |
|--|---------------|---------------|-------------------|---------------------|-----------------------|---------------------|
| Unclassified | 0.00 | 0.00 | 0.00 | 397,609.81 | 274,284.81 | 356,863.40 |
| BRIM | 0.00 | 0.00 | 0.00 | 0.00 | 10,509.75 | 0.00 |
| Administrative Law Division Improvements | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>1,157.90</u> | <u>9,626.51</u> | <u>31,221.35</u> |
| | <u>\$0.00</u> | <u>\$0.00</u> | <u>\$2,274.86</u> | <u>\$454,400.69</u> | <u>\$2,279,800.02</u> | <u>\$428,925.51</u> |

Combined Totals: The combined totals contain the totals of similar accounts of the various funds. Since the appropriations and cash receipts 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. Employee' contributions are 4.5% of their annual compensation and employee have vested rights under certain circumstances. The West Virginia Secretary of State matches contributions at 10.5% of the compensation on which the employees made contributions. The West Virginia Secretary of State's pension expenditures were as follows:

| | <u>Year Ended June 30,</u> | | |
|-----------------|----------------------------|---------------------|---------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| General Revenue | \$ 73,681.12 | \$ 70,621.16 | \$ 63,947.91 |
| Special Revenue | 104,634.25 | 78,846.37 | 85,722.55 |
| Federal Revenue | <u>7,881.37</u> | <u>3,039.46</u> | <u>0.00</u> |
| | <u>\$186,196.74</u> | <u>\$152,506.99</u> | <u>\$149,670.46</u> |

Note C - Federal Fund Balance

The components of the federal fund balances were as follows:

Year Ended June 30,

| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-----------------------------------|-----------------------|------------------------|------------------------|
| Consolidated Federal Fund: | | | |
| Cash | \$ 223,747.06 | \$ 39,815.38 | \$18,640,504.69 |
| Investments | <u>6,873,397.78</u> | <u>18,615,666.43</u> | <u>0.00</u> |
| | <u>\$7,097,144.84</u> | <u>\$18,655,481.81</u> | <u>\$18,640,504.69</u> |

Note D - Collection Accounts

The Office of the West Virginia Secretary of State is assigned various collection accounts which act as conduits to remit collections to the State General Revenue Fund. The amounts disclosed below were disclosed in the basic financial statement:

| | <u>Year Ended June 30,</u> | | |
|---------------------------------------|----------------------------|-----------------------|-----------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| 0155-519 Corporate Charter Tax | \$ 495,329.96 | \$ 461,671.20 | \$ 447,990.19 |
| 0155-530 Examination Fees | 65,425.00 | 63,563.50 | 58,515.50 |
| 0155-545 Operating Permit Fees | 47,967.50 | 44,816.75 | 41,947.50 |
| 0155-587 Certificate of Authority Tax | 488,320.05 | 489,261.19 | 623,690.48 |
| 0155-590 Statutory-Attorney Fees | 151,656.01 | 161,070.39 | 309,315.00 |
| 0155-591 Notary Fees | 134,567.50 | 120,588.99 | 120,852.00 |
| 0155-592 Departmental Fees | <u>425,445.06</u> | <u>396,247.45</u> | <u>268,611.27</u> |
| TOTALS | <u>\$1,808,711.08</u> | <u>\$1,737,219.47</u> | <u>\$1,870,921.94</u> |

The revenue amounts transferred above for fiscal years 2006, 2005, and 2004 totaling \$5,416,852.49 are net of refunds in the amount of \$124,263.28.

Note E - Imprest Fund

The West Virginia Secretary of State maintains three imprest funds, totaling \$400.00, to make change for their customers. The two cashiers maintain a balance of \$100.00 each in their cash drawer and \$200.00 is maintained in a locked safe. The monies from the imprest fund originated from the General Revenue Fund, Fund - 0155.

SUPPLEMENTAL INFORMATION

WEST VIRGINIA SECRETARY OF STATE
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|---|-------------------------------|------------------------------|--------------------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>Secretary of State Fund - Personal</u> | | | |
| <u>Services - Account 0155-001</u> | | | |
| Appropriations | \$620,805.00 | \$607,425.00 | \$562,855.00 |
| Expenditures | <u>615,528.12</u> 5,276.88 | <u>607,425.00</u> 0.00 | <u>532,168.23</u> 30,686.77 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$ 5,276.88</u> | <u>\$ 0.00</u> | <u>\$ 30,686.77</u> |
| <u>Secretary of State Fund - Salary of</u> | | | |
| <u>Secretary of State - Account 0155-002</u> | | | |
| Appropriations | \$ 70,000.00 | \$ 70,000.00 | \$ 65,000.00 |
| Expenditures | <u>69,999.84</u> 0.16 | <u>67,259.70</u> 2,740.30 | <u>64,999.92</u> 0.08 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$ 0.16</u> | <u>\$ 2,740.30</u> | <u>\$ 0.08</u> |
| <u>Secretary of State Fund - Annual</u> | | | |
| <u>Increment - Account 0155-004</u> | | | |
| Appropriations | \$ 11,950.00 | \$ 10,900.00 | \$ 9,800.00 |
| Expenditures | <u>8,725.00</u> 3,225.00 | <u>9,902.00</u> 998.00 | <u>9,800.00</u> 0.00 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$ 3,225.00</u> | <u>\$ 998.00</u> | <u>\$ 0.00</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
GENERAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|--|----------------------------------|----------------------------------|--------------------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>Secretary of State Fund -</u> | | | |
| <u>Employee Benefits - Account 0155-010</u> | | | |
| Appropriations | \$ 236,436.00 | \$ 226,267.00 | \$236,171.00 |
| Expenditures | <u>232,552.49</u> 3,883.51 | <u>223,350.34</u> 2,916.66 | <u>226,017.09</u> 10,153.91 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> | <u>2,274.86</u> |
| Balance | <u>\$ 3,883.51</u> | <u>\$ 2,916.66</u> | <u>\$12,428.77</u> |
| | | | |
| <u>Secretary of State Fund - Pension Bond</u> | | | |
| <u>Amendment - Account 0155-088</u> | | | |
| Appropriations | \$1,978,723.99 | \$2,000,000.00 | \$ 0.00 |
| Expenditures | <u>1,935,476.56</u> 43,247.43 | <u>21,276.01</u> 1,978,723.99 | <u>0.00</u> 0.00 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$ 43,247.43</u> | <u>\$1,978,723.99</u> | <u>\$ 0.00</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|--|----------------------------|---------------------|---------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>Secretary of State Fund - Unclassified -</u> | | | |
| <u>Account 0155-099</u> | | | |
| Appropriations | \$123,325.00 | \$124,858.00 | \$268,041.00 |
| Reappropriations | | | |
| Fiscal Year 2003 | 0.00 | 88,787.40 | 160,623.00 |
| Fiscal Year 2004 | 150,264.31 | 236,149.00 | 0.00 |
| Fiscal Year 2005 | <u>124,020.50</u> | <u>0.00</u> | <u>0.00</u> |
| | 397,609.81 | 449,794.40 | 428,664.00 |
| Expenditures: | | | |
| Current Expense | 0.00 | 168,392.39 | 71,800.60 |
| Bank Cost | 0.00 | 153.20 | 0.00 |
| Computer Equipment | <u>0.00</u> | <u>6,964.00</u> | <u>0.00</u> |
| | <u>0.00</u> | <u>175,509.59</u> | <u>71,800.60</u> |
| | 397,609.81 | 274,284.81 | 356,863.40 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$397,609.81</u> | <u>\$274,284.81</u> | <u>\$356,863.40</u> |

WEST VIRGINIA SECRETARY OF STATE

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|--|----------------------------|---------------------|---------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>Secretary of State Fund - Administrative</u> | | | |
| <u>Law Division Improvements -</u> | | | |
| <u>Account 0155-880</u> | | | |
| Appropriations | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Reappropriations | | | |
| Fiscal Year 2002 | 0.00 | 0.00 | 2,227.02 |
| Fiscal Year 2003 | <u>9,626.51</u> | <u>31,220.82</u> | <u>47,238.56</u> |
| | 9,626.51 | 31,220.82 | 49,465.58 |
| Expenditures: | | | |
| Employee Benefits | 0.00 | 2,500.00 | 0.00 |
| Current Expense | 8,468.61 | 18,979.08 | 17,212.19 |
| Books and Periodicals | 0.00 | 115.23 | 320.79 |
| Computer Software | <u>0.00</u> | <u>0.00</u> | <u>711.25</u> |
| | <u>8,468.61</u> | <u>21,594.31</u> | <u>18,244.23</u> |
| | 1,157.90 | 9,626.51 | 31,221.35 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$ 1,157.90</u> | <u>\$ 9,626.51</u> | <u>\$ 31,221.35</u> |
| <u>Secretary of State Fund - BRIM</u> | | | |
| <u>Premium - Account 0155-913</u> | | | |
| Appropriations | \$ 43,229.00 | \$ 43,724.00 | \$ 24,031.00 |
| Expenditures | <u>43,229.00</u> | <u>33,214.25</u> | <u>24,031.00</u> |
| | 0.00 | 10,509.75 | 0.00 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$ 0.00</u> | <u>\$ 10,509.75</u> | <u>\$ 0.00</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
GENERAL REVENUE

| | <u>2006</u> | <u>Year Ended June 30,</u> <u>2005</u> | <u>2004</u> |
|---|---------------------|---|---------------------|
| <u>Secretary of State Fund - Corporate</u> | | | |
| <u>Charter Tax - Account 0155-519</u> | | | |
| Cash Receipts: | | | |
| Corporate Charter Tax | <u>\$495,329.96</u> | <u>\$461,671.20</u> | <u>\$447,990.19</u> |
| Disbursements: | | | |
| Transfers to State General Revenue Fund | <u>495,329.96</u> | <u>461,671.20</u> | <u>447,990.19</u> |
| | 0.00 | 0.00 | 0.00 |
| Beginning Balance | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Ending Balance | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |
| | | | |
| <u>Secretary of State Fund - Examination</u> | | | |
| <u>Fees - Account 0155-530</u> | | | |
| Cash Receipts: | | | |
| Examination Fees | <u>\$ 65,425.00</u> | <u>\$ 63,563.50</u> | <u>\$ 58,515.50</u> |
| Disbursements: | | | |
| Transfers to State General Revenue Fund | <u>65,425.00</u> | <u>63,563.50</u> | <u>58,515.50</u> |
| | 0.00 | 0.00 | 0.00 |
| Beginning Balance | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Ending Balance | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
GENERAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|---|----------------------------|------------------|------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>Secretary of State Fund - Operating</u> | | | |
| <u>Permit Fees - Account 0155-545</u> | | | |
| Cash Receipts: | | | |
| Operating Permit Fees | \$ 47,967.50 | \$ 44,816.75 | \$ 41,947.50 |
| Disbursements: | | | |
| Transfers to State General Revenue Fund | <u>47,967.50</u> | <u>44,816.75</u> | <u>41,947.50</u> |
| | 0.00 | 0.00 | 0.00 |
| Beginning Balance | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Ending Balance | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |

Secretary of State Fund - Certification
of Authority Tax - Account 0155-587

| | | | |
|---|-------------------|-------------------|-------------------|
| Cash Receipts: | | | |
| Certification of Authority Tax | \$488,320.05 | \$489,261.19 | \$623,690.48 |
| Disbursements: | | | |
| Transfers to State General Revenue Fund | <u>488,320.05</u> | <u>489,261.19</u> | <u>623,690.48</u> |
| | 0.00 | 0.00 | 0.00 |
| Beginning Balance | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Ending Balance | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
GENERAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|---|----------------------------|-------------------|-------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>Secretary of State Fund - Statutory- Attorney Fees - Account 0155-590</u> | | | |
| Cash Receipts: | | | |
| Statutory-Attorney Fees | \$151,656.01 | \$161,070.39 | \$309,315.00 |
| Disbursements: | | | |
| Transfers to State General Revenue Fund | <u>151,656.01</u> | <u>161,070.39</u> | <u>309,315.00</u> |
| | 0.00 | 0.00 | 0.00 |
| Beginning Balance | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Ending Balance | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |

| | | | |
|--|-------------------|-------------------|-------------------|
| <u>Secretary of State Fund - Notary Fees - Account 0155-591</u> | | | |
| Cash Receipts: | | | |
| Notary Fees | \$134,567.50 | \$120,588.99 | \$120,852.00 |
| Disbursements: | | | |
| Transfers to State General Revenue Fund | <u>134,567.50</u> | <u>120,588.99</u> | <u>120,852.00</u> |
| | 0.00 | 0.00 | 0.00 |
| Beginning Balance | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Ending Balance | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
GENERAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|--|----------------------------|-------------------|-------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>Secretary of State Fund - Departmental</u> | | | |
| <u>Fees - Account 0155-592</u> | | | |
| Cash Receipts: | | | |
| Departmental Fees | \$425,445.06 | \$396,247.45 | \$268,611.27 |
| Disbursements: | | | |
| Transfers to State General Revenue Fund | <u>425,445.06</u> | <u>396,247.45</u> | <u>268,611.27</u> |
| | 0.00 | 0.00 | 0.00 |
| Beginning Balance | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Ending Balance | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH BALANCE
SPECIAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|--|----------------------------|------------------|---------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>Filing Fee Fund - Fund 1601-099</u> | | | |
| Cash Receipts | \$52,731.00 | \$2,642.35 | \$109,002.50 |
| Disbursements: | | | |
| Counties and Municipalities | 0.00 | 99,519.85 | 0.00 |
| Refunds | <u>460.00</u> | <u>0.00</u> | <u>12,125.00</u> |
| | 460.00 | 99,519.85 | 12,125.00 |
| Cash Receipts Over/(Under)Disbursements | 52,271.00 | (96,877.50) | 96,877.50 |
| Beginning Balance | <u>0.00</u> | <u>96,877.50</u> | <u>0.00</u> |
| Ending Balance | <u>\$52,271.00</u> | <u>\$ 0.00</u> | <u>\$ 96,877.50</u> |
| <u>Publication of State Register Fund -</u> | | | |
| <u>Fund 1602-099</u> | | | |
| Cash Receipts | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Disbursements: | | | |
| Current Expenses | <u>0.00</u> | <u>186.50</u> | <u>0.00</u> |
| | 0.00 | 186.50 | 0.00 |
| Cash Receipts Under Disbursements | 0.00 | (186.50) | 0.00 |
| Beginning Balance | <u>0.00</u> | <u>186.50</u> | <u>186.50</u> |
| Ending Balance | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 186.50</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH BALANCE
SPECIAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|--|----------------------------|---------------|---------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>Postcard Registration Law Fund -</u> | | | |
| <u>Fund 1603-099</u> | | | |
| Cash Receipts | \$0.00 | \$0.00 | \$0.00 |
| Disbursements: | | | |
| Current Expenses | <u>0.00</u> | <u>0.51</u> | <u>0.00</u> |
| | 0.00 | 0.51 | 0.00 |
| Cash Receipts Under Disbursements | 0.00 | (0.51) | 0.00 |
| Beginning Balance | <u>0.00</u> | <u>0.51</u> | <u>0.51</u> |
| Ending Balance | <u>\$0.00</u> | <u>\$0.00</u> | <u>\$0.51</u> |
| | | | |
| <u>Amendment Publication Fund -</u> | | | |
| <u>Fund 1604-099</u> | | | |
| Cash Receipts | \$0.00 | \$0.00 | \$0.00 |
| Disbursements: | | | |
| Current Expenses | <u>0.00</u> | <u>0.20</u> | <u>0.00</u> |
| | 0.00 | 0.20 | 0.00 |
| Cash Receipts Under Disbursements | 0.00 | (0.20) | 0.00 |
| Beginning Balance | <u>0.00</u> | <u>0.20</u> | <u>0.20</u> |
| Ending Balance | <u>\$0.00</u> | <u>\$0.00</u> | <u>\$0.20</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH BALANCE

SPECIAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|--|----------------------------|---------------------|---------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>Combined Voter Registration and Driver</u> | | | |
| <u>Licensing Fund - Fund 1606-099</u> | | | |
| Cash Receipts | \$213,340.68 | \$156,121.84 | \$192,948.44 |
| Disbursements: | | | |
| Personal Services | 39,175.24 | 0.00 | 0.00 |
| Employee Benefits | 9,249.09 | 0.00 | 0.00 |
| Current Expenses | 51,734.42 | 46,256.36 | 60,481.14 |
| Repairs and Alterations | 0.00 | 2,820.25 | 1,501.55 |
| Counties and Municipalities | 29,516.84 | 54,905.67 | 49,095.08 |
| Refunds | <u>2.00</u> | <u>1.50</u> | <u>2.50</u> |
| | 129,677.59 | 103,983.78 | 111,080.27 |
| Cash Receipts Over Disbursements | 83,663.09 | 52,138.06 | 81,868.17 |
| Beginning Balance | <u>277,038.03</u> | <u>224,899.97</u> | <u>143,031.80</u> |
| Ending Balance | <u>\$360,701.12</u> | <u>\$277,038.03</u> | <u>\$224,899.97</u> |
| <u>Prepaid Fees and Services Fund -</u> | | | |
| <u>Fund 1608-999</u> | | | |
| Cash Receipts | \$ 115,072.58 | \$133,315.60 | \$149,397.60 |
| Disbursements: | | | |
| Transfers | 128,337.98 | 120,376.50 | 195,558.60 |
| Refunds | <u>483.50</u> | <u>1,172.00</u> | <u>0.00</u> |
| | 128,821.48 | 121,548.50 | 195,558.60 |
| Cash Receipts Over/(Under) Disbursements | (13,748.90) | 11,767.10 | (46,161.00) |
| Beginning Balance | <u>69,887.01</u> | <u>58,119.91</u> | <u>104,280.91</u> |
| Ending Balance | <u>\$ 56,138.11</u> | <u>\$ 69,887.01</u> | <u>\$ 58,119.91</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

| | <u>2006</u> | <u>Year Ended June 30,</u> <u>2005</u> | <u>2004</u> |
|---|--------------------------------|---|---------------------------------|
| <u>Service Fees and Collection Account -</u> | | | |
| <u>Personal Services - Account 1612-001</u> | | | |
| Appropriations | \$1,076,600.00 | \$ 818,032.00 | \$ 939,032.00 |
| Expenditures | <u>988,401.83</u> 88,198.17 | <u>766,092.30</u> 51,939.70 | <u>829,612.09</u> 109,419.91 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$ 88,198.17</u> | <u>\$ 51,939.70</u> | <u>\$ 109,419.91</u> |
| | | | |
| <u>Service Fees and Collection Account -</u> | | | |
| <u>Annual Increment - Account 1612-004</u> | | | |
| Appropriations | \$ 410,300.00 | \$ 9,950.00 | \$ 7,450.00 |
| Expenditures | <u>9,400.00</u> 900.00 | <u>9,950.00</u> 0.00 | <u>7,450.00</u> 0.00 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$ 900.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

| | <u>2006</u> | <u>Year Ended June 30,</u> <u>2005</u> | <u>2004</u> |
|---|----------------------------------|---|---------------------------------|
| <u>Service Fees and Collection Account -</u> | | | |
| <u>Employee Benefits - Account 1612-010</u> | | | |
| Appropriations | \$ 312,645.00 | \$ 237,600.00 | \$ 263,869.00 |
| Expenditures | <u>307,887.41</u> 4,757.59 | <u>229,947.55</u> 7,652.45 | <u>253,075.62</u> 10,793.38 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$ 4,757.59</u> | <u>\$ 7,652.45</u> | <u>\$ 10,793.38</u> |
| <u>Service Fees and Collection Account -</u> | | | |
| <u>Unclassified - Account 1612-099</u> | | | |
| Appropriations | \$1,135,306.00 | \$1,288,431.00 | \$1,143,662.00 |
| Expenditures: | | | |
| Current Expense | <u>1,071,093.38</u> 64,212.62 | <u>\$1,237,159.70</u> 51,271.30 | <u>966,983.24</u> 176,678.76 |
| Transmittals Paid After June 30 | <u>175,564.92</u> | <u>226,317.76</u> | <u>91,655.73</u> |
| Balance | <u>\$ 239,777.54</u> | <u>\$ 277,589.06</u> | <u>\$ 268,334.49</u> |

WEST VIRGINIA SECRETARY OF STATE

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

SPECIAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|---|------------------------------|------------------------------|------------------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>Service Fees and Collection Account -</u> | | | |
| <u>Cash Control - Account 1612</u> | | | |
| Beginning Balance: | | | |
| State Treasury | \$ 892,350.40 | \$1,113,673.35 | \$ 860,325.88 |
| Cash Receipts: | | | |
| Other Collections, Fees, Licenses and Income | <u>2,496,869.70</u> | <u>2,439,237.76</u> | <u>2,492,936.85</u> |
| TOTAL CASH TO ACCOUNT FOR | <u>\$3,389,220.10</u> | <u>\$3,552,911.11</u> | <u>\$3,353,262.73</u> |
| Disbursements: | | | |
| Personal Services | \$ 997,801.83 | \$ 776,042.30 | \$ 837,062.09 |
| Employee Benefits | 317,195.41 | 232,775.64 | 253,798.04 |
| Current Expenses | 939,546.60 | 1,002,095.88 | 891,882.69 |
| Repairs and Alterations | 5,264.78 | 21,500.25 | 5,019.05 |
| Equipment | 16,651.00 | 185,999.16 | 38,036.07 |
| Other Assets | 68,333.12 | 1,604.11 | 10,521.62 |
| Bank Cost | 15,180.88 | 8,554.21 | 6,407.39 |
| Fund Transfers | 166,032.64 | 522,017.62 | 0.00 |
| PEIA Reserve Transfer | 16,809.00 | 14,578.00 | 14,394.00 |
| Refunds | <u>31,701.04</u> | <u>30,055.57</u> | <u>35,308.94</u> |
| | 2,574,516.30 | 2,795,222.74 | 2,092,429.89 |
| Add: Transmittals Paid July 1-31 Beginning | | | |
| (Less): Transmittal Paid July 1-31 Ending | | | |
| Employee Benefits | 2,828.09 | 0.00 | 21,236.90 |
| (Employee Benefits) | 0.00 | (2,828.09) | 0.00 |
| Current Expenses | 172,462.46 | 75,542.53 | 154,618.21 |
| (Current Expenses) | (163,401.11) | (172,462.46) | (75,542.53) |
| Repairs and Alterations | 513.40 | 884.40 | 7,594.03 |
| (Repairs and Alterations) | (352.80) | (513.40) | (884.40) |
| Bank Cost | 2,919.27 | 440.17 | 462.18 |
| (Bank Cost) | (742.51) | (2,919.27) | (440.17) |
| Equipment | 47,594.54 | 13,499.63 | 38,907.89 |
| (Equipment) | (9,151.00) | (47,594.54) | (13,499.63) |
| Other Assets | 0.00 | 1,289.00 | 15,996.01 |
| (Other Assets) | <u>(1,917.50)</u> | <u>0.00</u> | <u>(1,289.00)</u> |
| | <u>50,752.84</u> | <u>(134,662.03)</u> | <u>147,159.49</u> |
| | 2,625,269.14 | 2,660,560.71 | 2,239,589.38 |
| Ending Balance: | | | |
| State Treasury | <u>763,950.96</u> | <u>892,350.40</u> | <u>1,113,673.35</u> |
| TOTAL CASH ACCOUNTED FOR | <u>\$3,389,220.10</u> | <u>\$3,552,911.11</u> | <u>\$3,353,262.73</u> |

WEST VIRGINIA SECRETARY OF STATE

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND

CHANGES IN CASH BALANCE

SPECIAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|--|----------------------------|--------------------|--------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>Marriage Celebrants Fee</u> <u>Administration Fund - Fund 1613-099</u> | | | |
| Cash Receipts | \$19,462.50 | \$20,250.00 | \$19,850.00 |
| Disbursements: | | | |
| Current Expenses | 0.00 | 3,750.00 | 0.00 |
| Refunds | <u>25.00</u> | <u>12.50</u> | <u>0.00</u> |
| | 25.00 | 3,762.50 | 0.00 |
| Cash Receipts Over Disbursements | 19,437.50 | 16,487.50 | 19,850.00 |
| Beginning Balance | <u>71,110.00</u> | <u>54,622.50</u> | <u>34,772.50</u> |
| Ending Balance | <u>\$90,547.50</u> | <u>\$71,110.00</u> | <u>\$54,622.50</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

| | <u>2006</u> | <u>Year Ended June 30,</u> <u>2005</u> | <u>2004</u> |
|--|---------------------|---|---------------------|
| <u>State Election Fund - Unclassified -</u> | | | |
| <u>Account 1614-096</u> | | | |
| Appropriations | \$800,000.00 | \$800,000.00 | \$800,000.00 |
| Expenditures | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| | 800,000.00 | 800,000.00 | 800,000.00 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$800,000.00</u> | <u>\$800,000.00</u> | <u>\$800,000.00</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
SPECIAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|--|----------------------------|----------------------------|----------------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>State Election Fund - Cash Control -</u> | | | |
| <u>Account 1614</u> | | | |
| Beginning Balance: | | | |
| State Treasury | \$800,000.00 | \$800,000.00 | \$800,000.00 |
| Cash Receipts | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| TOTAL CASH TO ACCOUNT FOR | <u>\$800,000.00</u> | <u>\$800,000.00</u> | <u>\$800,000.00</u> |
| | | | |
| Disbursements | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| | | | |
| Ending Balance: | | | |
| State Treasury | <u>800,000.00</u> | <u>800,000.00</u> | <u>800,000.00</u> |
| TOTAL CASH ACCOUNTED FOR | <u>\$800,000.00</u> | <u>\$800,000.00</u> | <u>\$800,000.00</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FEDERAL REVENUE

| | <u>2006</u> | <u>Year Ended June 30,</u> <u>2005</u> | <u>2004</u> |
|---|------------------------|---|------------------------|
| <u>Consolidated Federal Fund</u> | | | |
| <u>Cash Control - Account 8854-096</u> | | | |
| Appropriations | \$19,001,808.00 | \$14,500,000.00 | \$19,500,000.00 |
| Expenditures: | | | |
| Personal Services | 88,789.93 | 28,947.95 | 0.00 |
| Employee Benefits | 30,613.52 | 10,817.08 | 0.00 |
| Current Expenses | 1,383,544.76 | 313,136.18 | 959,442.91 |
| Equipment | 10,335,996.40 | 15,781.20 | 1,066,450.00 |
| Other Interest and Penalties | 1,002.77 | 0.00 | 0.00 |
| Counties and Municipalities | 38,880.22 | 1,445.00 | 0.00 |
| Federal Subrecipient Disbursement | 100,442.50 | 21,929.00 | 0.00 |
| | <u>11,979,270.10</u> | <u>392,056.41</u> | <u>2,025,892.91</u> |
| | 7,022,537.90 | 14,107,943.59 | 17,474,107.09 |
| Transmittals Paid After June 30 | <u>(195,601.83)</u> | <u>39,550.39</u> | <u>36,297.60</u> |
| Balance | <u>\$ 6,826,936.07</u> | <u>\$14,147,493.98</u> | <u>\$17,510,404.69</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FEDERAL REVENUE

| | <u>2006</u> | <u>Year Ended June 30,</u> <u>2005</u> | <u>2004</u> |
|--|-------------------------------|---|-------------------------------|
| <u>Consolidated Federal Fund</u> | | | |
| Cash Control - Account 8854-700 | | | |
| Beginning Balance: | | | |
| State Treasury | \$ 39,815.38 | \$18,640,504.69 | \$ 5,326,531.00 |
| Cash Receipts & Transfers In: | | | |
| General Services Administration | 48,354.00 | 12,619.00 | 15,303,569.00 |
| Investment Earnings | 607,731.35 | 391,161.74 | 0.00 |
| Transfers from the investment account | <u>12,350,000.00</u> | <u>416,000.00</u> | <u>0.00</u> |
| TOTAL CASH TO ACCOUNT FOR | <u>\$13,045,900.73</u> | <u>\$19,460,285.43</u> | <u>\$20,630,100.00</u> |
| Disbursements & Transfers Out: | | | |
| Personal Services | \$ 88,789.93 | \$ 28,947.95 | \$ 0.00 |
| Employee Benefits | 30,613.52 | 10,817.08 | 0.00 |
| Current Expenses | 1,383,544.76 | 313,136.18 | 959,442.91 |
| Equipment | 10,335,996.40 | 15,781.20 | 1,066,450.00 |
| Other Interest and Penalties | 1,002.77 | 0.00 | 0.00 |
| Counties and Municipalities | 38,880.22 | 1,445.00 | 0.00 |
| Federal Subrecipient Disbursement | 100,442.50 | 21,929.00 | 0.00 |
| Transfers to Investment Account | <u>607,731.35</u> | <u>19,031,666.43</u> | <u>0.00</u> |
| | 12,587,001.45 | 19,423,722.84 | 2,025,892.91 |
| Add: Transmittals Paid July 1-31 Beginning | | | |
| (Less): Transmittal Paid July 1-31 Ending | | | |
| Current Expenses | 39,550.39 | 36,297.60 | 0.00 |
| (Current Expenses) | (16,912.88) | (39,550.39) | (36,297.60) |
| Equipment | 0.00 | 0.00 | 0.00 |
| (Equipment) | 215,988.00 | 0.00 | 0.00 |
| Counties and Municipalities | 0.00 | 0.00 | 0.00 |
| (Counties and Municipalities) | <u>(3,473.29)</u> | <u>0.00</u> | <u>0.00</u> |
| | 235,152.22 | (3,252.79) | (36,297.60) |
| | 12,822,153.67 | 19,420,470.05 | 1,989,595.31 |
| Ending Balance: | | | |
| State Treasury | <u>223,747.06</u> | <u>39,815.38</u> | <u>18,640,504.69</u> |
| TOTAL CASH ACCOUNTED FOR | <u>\$13,045,900.73</u> | <u>\$19,460,285.43</u> | <u>\$20,630,100.00</u> |

WEST VIRGINIA SECRETARY OF STATE
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCE
FEDERAL REVENUE

| | <u>Year Ended June 30,</u> | | |
|--|----------------------------|------------------------|---------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| <u>HAVA Election - Investment Account 3956-4365</u> | | | |
| Cash Receipts: | | | |
| Transfer from the Consolidated Federal Funds General Account - Account 8854 | \$ 0.00 | \$18,640,504.69 | \$0.00 |
| Investment Earnings | <u>607,731.35</u> | <u>391,161.74</u> | <u>0.00</u> |
| | 607,731.35 | 19,031,666.43 | 0.00 |
| Disbursements & Transfers Out: | | | |
| Transfers to the Consolidated Federal Funds - General Administration Account - Account 8854 | <u>12,350,000.00</u> | <u>416,000.00</u> | <u>0.00</u> |
| Cash Receipts (Under)/Over Disbursements | (11,742,268.65) | 18,615,666.43 | 0.00 |
| Beginning Balance | <u>18,615,666.43</u> | <u>0.00</u> | <u>0.00</u> |
| Ending Balance | <u>\$ 6,873,397.78</u> | <u>\$18,615,666.43</u> | <u>\$0.00</u> |

APPENDIX



Betty Ireland
SECRETARY OF STATE
State of West Virginia

WEST VIRGINIA SECRETARY OF STATE
Prefatory Remarks
Legislative Audit

December 5, 2007

It is the duty of a public agency to conduct its fiscal dealings in a straightforward manner in accordance with State Code and Rules. One of the best ways to determine if the agency is operating within legal guidelines and with optimal efficiency is to have an outside auditor conduct a series of tests on the agency's procedures.

Thus, when I assumed office in January 2005, I immediately requested from Mr. Ted Shanklin, then-Director of Legislative Audits, a baseline audit of the Secretary of State's Office. (See attached copy of letter dated January 28, 2005.) Regrettably, Mr. Shanklin advised that his agency did not have the resources or time to immediately conduct the requested audit. This was unfortunate, because many of the issues identified in the accompanying report could have been addressed early in my administration.

However, we are grateful that the Legislative Auditors were able to schedule and conduct an audit of our agency beginning in April 2006. I believe we shared a professional and productive relationship with the audit staff, and I am committed to having this agency operate in accordance with their findings from this point forward.

We are pleased to have worked with the Legislative Auditor's staff to produce this report, and I am pleased to present this agency's responses.

Betty Ireland

Building 1, Suite 157-K
1900 Kanawha Blvd., East
Charleston, West Virginia 25305
(304) 558-6000

Betty Ireland
SECRETARY OF STATE
State of West Virginia

January 28, 2005

The Honorable Thedford Shanklin
Director, Legislative Audits
Building 1, Room W329
1900 Kanawha Boulevard, East
Charleston, WV 25305

Dear Director Shanklin:

As the newly elected Secretary of State, I would like have a better understanding of the current condition of our day-to-day operations. Therefore, I would like to enlist the assistance of your office in this endeavor. Please contact my chief of staff, Ben Beakes at 558-6000 to arrange a time that is convenient for you and your staff to conduct a baseline audit of the Secretary of State office.

I would like to thank you in advance for your assistance.

Sincerely,



Betty S. Ireland

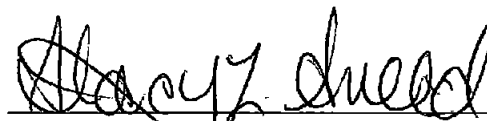
Building 1, Suite 157-K
1900 Kanawha Blvd., East
Charleston, West Virginia 25305
(304) 558-6000

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, Acting Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 10th day of December 2007.



Stacy L. Sneed, CPA, Acting Director
Legislative Post Audit Division

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