

INSURANCE COMMISSIONER OF WEST VIRGINIA

FOR THE PERIOD

JULY 1, 1977 - JUNE 30, 1985

West Virginia



LEGISLATIVE AUDITOR

CHARLESTON

The Honorable Encil Bailey
Legislative Auditor
State Capitol - West Wing
Charleston, West Virginia

Sir:

In compliance with your instructions and the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the Insurance Commissioner of West Virginia.

Our examination covers the period July 1, 1977 through June 30, 1985. The results of this examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 1985 and June 30, 1984 are included in this report. The financial statements covering the period July 1, 1977 through June 30, 1983 are included in our audit workpapers.

Respectfully submitted,

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

Theford L. Shanklin, CPA, Director
Legislative Postaudit Division

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INSURANCE COMMISSIONER OF WEST VIRGINIA

TABLE OF CONTENTS

Exit Conference	1
Introduction	2
Administrative Officers and Staff	3
Summary of Findings, Recommendations and Responses	4
General Remarks	9
Auditors' Opinion	28
Statement of Appropriations/Cash Receipts, Expenditures/ Disbursements and Changes in Fund Balances	30
Notes to Financial Statement	32
Supplemental Information	34
Certificate of Legislative Auditor	43

INSURANCE COMMISSIONER OF WEST VIRGINIA

EXIT CONFERENCE

We held an exit conference on June 12, 1987 with the Deputy Insurance Commissioner and all findings and recommendations were reviewed and discussed. The above official's responses are included in italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks sections of this report.

INSURANCE COMMISSIONER OF WEST VIRGINIA

INTRODUCTION

The Office of the Insurance Commissioner was first established by the Legislature in 1887, with the State Auditor named as ex officio commissioner. The Office was maintained as one of the functions of the State Auditor's Office until 1947 when the Legislature, by special act, established the Office of the Insurance Commissioner as a separate department of State government, and the Commissioner is to be appointed by the Governor with the consent and approval of the Senate.

The duties of the Insurance Commissioner are set forth in Chapter 33 of the West Virginia Code and include the following: to visit domestic insurers at least once each three years and thoroughly examine its financial conditions, methods of doing business, and ascertain whether it is complying with all laws and regulations of this State; to promulgate and adopt such rules and regulations relating to insurers as are necessary to discharge his duties, exercise his powers, and effectuate the provisions of Chapter 33; to protect and safeguard the interests of policyholders and the public of this State; and, to take depositions, subpoena witnesses, conduct hearings or investigations, and compel those witnesses to attend these hearings.

INSURANCE COMMISSIONER OF WEST VIRGINIA
ADMINISTRATIVE OFFICERS AND STAFF

Commissioners

Fred E. Wright February 21, 1985 - Present
Handley C. Clark (Acting) January 15, 1985 - February 20, 1985
Richard G. Shaw July 1, 1977 - January 14, 1985

Other Administrative Officers and Staff

Hanley C. Clark Deputy Commissioner
Cheryl L. Davis General Counsel
Deborah Grubb Director of Financial Conditions
John Roberts Director of Rates and Forms
Wanda Smith Director of Consumer Service

INSURANCE COMMISSIONER OF WEST VIRGINIA
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

AREAS OF NONCOMPLIANCE

Annual Premium Tax - Excess Line Brokers

1. We noted the Insurance Commissioner did not prorate premium taxes charged excess line brokers between the proper accounts.

We recommend the Commissioner transfer \$698,808.84 from the Insurance Tax Account (6160-81) to the Municipal Pensions and Protection Fund Account (8018-09).

We will attempt to comply with this audit recommendation. (See pages 11-12.)

Possible Premium Tax Overcharge

2. We noted a possible overcharge in the assessment of the additional premium tax for fire and casualty insurance policies. The Insurance Commissioner estimates the overcharge may have totaled approximately \$1,382,000.00 between January 1, 1982 and December 31, 1984. Our examination indicates the \$1,382,000.00 figure may be too conservative.

We recommend the Commissioner request the Attorney General review the assessment of the additional fire and casualty insurance premium tax to ascertain whether refunds or credits are due. If refunds or credits are due, we recommend the Insurance Commissioner identify the companies due refunds as well as quantify such refunds.

We will make refunds as they are requested. (No response to request for Attorney General's Opinion.) (See pages 13-17.)

Possible Underpayment of Premium Tax

3. It appears some companies may have underpaid the additional fire and casualty insurance premium tax during the calendar years 1983-1985.

We recommend the Commissioner comply with Chapter 33, Article 3, Section 14d(a) of the West Virginia Code and continue efforts to collect any unpaid additional fire and casualty insurance premium taxes.

We do not have sufficient personnel to examine all annual statements. However, we will re-examine those annual statements noted in the audit finding. (See pages 17-18.)

Timely Payment of Premium Taxes

4. We noted several insurance companies who apparently paid the premium tax and additional premium tax in one annual payment rather than in quarterly installments.

We recommend the Commissioner comply with Chapter 33, Article 3, Section 14c of the West Virginia Code, as amended.

We have already implemented this audit recommendation. (See page 19.)

Deposit of Receipts

5. It appears fees and taxes collected by the Insurance Commissioner were not always deposited with the State Treasurer within 24 hours of receipt.

We recommend the Insurance Commissioner comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

We have already implemented this audit recommendation. (See page 20.)

Disposal of Records

6. We noted various records such as ledgers, telephone billings and bank statements for a local bank account were apparently disposed of by the agency and were not available for audit.

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

We will comply with this audit recommendation. (See pages 20-22.)

Deduction Authorizations

7. We noted exemption declarations (W-4 forms), savings bonds deduction forms, credit union deductions and other miscellaneous deduction authorizations could not be located for all employees.

We recommend the Commissioner comply with Section 203-4 of Rules and Regulations for Minimum Wage and Maximum Hours Standards for Employees.

We have already taken steps to comply with this audit recommendation.

(See page 22.)

Examiners' Annual Leave Not Properly Approved

8. During our review of annual leave for examiners, we could not locate written documentation approving the annual leave taken during the audit period.

We recommend the Commissioner require employees to comply with applicable rules and regulations.

We have already complied with this audit recommendation. (See page 23.)

Inventory

9. We noted the Insurance Commissioner apparently did not file an annual inventory during each year of the audit period with the West Virginia State Agency for Surplus Property.

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

We are now in compliance with this audit recommendation. (See pages 23-24.)

Expenditures for Books

10. We noted in our examination of the Current Expense Account (6160-01), the Insurance Commissioner made expenditures for books totaling \$809.70 in fiscal year 1985 and \$151.34 in fiscal year 1984 utilizing Line Item 020 - Office Expenses. It appears books, including dictionaries, would be properly classified as an expenditure from the Equipment Account (6160-03), Line Item 077.

We recommend the Commissioner comply with Chapter 5, Article 1A, Section 4, Subsections (2) and (3) of the West Virginia Code.

We are now in compliance with this audit recommendation. (See page 24.)

Cash Advances

11. We noted cash advances apparently were not always settled within 30 days of the last day of travel paid from the particular advance.

We recommend the Commissioner comply with the Governor's Travel Regulations regarding the settlement of cash advances.

We are now in compliance with this audit recommendation. (See pages 24-25.)

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

Examiners' Living Expenses

12. We noted that examiners are not required to submit receipts for hotel lodging if they are paid the per diem allowance. Without receipt for lodging we do not have sufficient documentation to verify the examiner was entitled to the per diem allowance on a particular day, especially weekends.

We recommend lodging receipts be required to support per diem allowances paid to insurance examiners.

We do not agree with this audit finding. (See pages 26-27.)

INSURANCE COMMISSIONER OF WEST VIRGINIA

GENERAL REMARKS

INTRODUCTION

We have completed a financial and compliance audit of the Insurance Commissioner of West Virginia. The audit covered the period July 1, 1977 through June 30, 1985.

GENERAL REVENUE ACCOUNTS

All expenditures required for the general operation of the Office of the Insurance Commissioner of West Virginia were made from the following accounts:

<u>Number</u>	<u>Description</u>
6160-00	Personal Services
6160-01	Current Expenses
6160-03	Equipment

The Insurance Commissioner of West Virginia maintained the following general revenue accounts during the audit period for the collection of various fees:

<u>Number</u>	<u>Description</u>
6160-80	Fees Receipts from fees collected; transferred to State General Revenue Fund.
6160-81	Insurance Tax Receipts from all taxes collected except fire marshal and additional taxes; transferred to State General Revenue Fund.
6160-83	Fire Marshal Tax Receipts from fire marshal tax; transferred to State General Revenue Fund.

SPECIAL REVENUE ACCOUNTS

During the audit period, the Insurance Commissioner of West Virginia maintained the following special revenue accounts. These accounts represent funds derived from specific sources or used to finance specific activities as required by law or administrative regulations. Funds are deposited with the State Treasurer in the following special revenue accounts:

<u>Number</u>	<u>Description</u>
8018-06	Commission Exam Revolving Fund Examination fees and countercyclical funds; to pay expenses of examinations.
8018-08	Consumer Services Receipts from Governor's Civil Contingent Fund Account (1240-06); to insure fair in- surance practices for State consumers.
8018-09	Municipal Pensions and Protection Fund - 1% Fire and gas tax, insurance tax; to be dis- tributed to municipal policemen's and fire- men's pension and relief funds and volunteer and part-volunteer fire companies and depart- ments.
8018-10	Insurance Regulators Meeting Fund Miscellaneous collections; for National Association of Insurance Commissioners Meeting. This account was closed out and should not have been deposited in Treasury.
8018-17	Insurance Unisex Hearings Receipts from Governor's Civil Contingent Fund Account (1240-06); for hearings dealing with equality of insurance regardless of sex.

FEDERAL REVENUE SHARING FUNDS

The Insurance Commissioner of West Virginia maintained the following Federal revenue sharing accounts during the audit period:

<u>Number</u>	<u>Description</u>
9790-00	Personal Services
9790-01	Current Expenses

AREAS OF NONCOMPLIANCE

Chapter 33 and Chapter 29, Article 3, Section 22 of the West Virginia Code generally govern the Insurance Commissioner of West Virginia. We tested applicable sections of the above plus general State regulations, internal rules and regulations and other applicable chapters, articles and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are listed below.

Annual Premium Tax - Excess Line Brokers

The Insurance Commissioner of West Virginia licenses excess line brokers. Each excess line broker is required to file an annual return by March 1 of each year and make payment of the annual premium taxes imposed by Chapter 33, Article 12, Section 16 and Chapter 33, Article 12, Section 16a of the West Virginia Code.

Chapter 33, Article 12, Section 16 of the West Virginia Code states,

"Every excess line broker licensed pursuant to the provisions of this article shall make a return annually, under oath, on or before the first day of March to the commissioner of the gross amount of premiums charged the insureds by the insurers for insurance procured by such licensee, pursuant to such license during the previous calendar year, together with the amount of tax due thereon. The annual tax required to be paid, under the provisions of this section, shall be a sum equal to two percent of the gross premiums received on the gross business procured by such licensee on subjects of insurance, resident, located or to be performed in this State and obtained pursuant to the provisions of this article, including any so-called dividends on participating insurance policies applied in reduction of premiums, less premiums returnable for cancellation. All such taxes paid to the commissioner shall be paid by him into the state treasury for the benefit of the state fund."

Chapter 33, Article 12, Section 16a of the West Virginia Code states,

"For the purpose of providing additional revenues for municipal policemen's and firemen's pension and relief funds and additional revenue for volunteer and part volunteer fire companies and departments, an additional annual premium tax is hereby imposed and required to be paid, on and after the first day of January, one thousand nine hundred eighty-two, in addition to the annual premium tax imposed by section sixteen [§ 33-12-16] of this article, which additional tax shall be a sum equal to four percent of the gross premiums received on the gross business procured by such licensee on subjects of insurance, resident, located or to be performed in this State and obtained pursuant to the provisions of this article, including any so-called dividends on participating insurance policies applied in reduction of premiums, less premiums returnable for cancellation. All provisions of this article relating to the levy, imposition and collection of the regular premium tax are applicable to the levy, imposition and collection of this additional tax.

All such taxes paid to the commissioner pursuant to this section shall be paid by him into a special account in the state treasury, designated the municipal pensions and protection fund, and after appropriation by the legislature, shall be distributed in accordance with the provisions of subsection (c), section fourteen-d [§ 33-3-14d], article three of this chapter."

In order to comply with Chapter 33, Article 12, Section 16 of the West Virginia Code, the Insurance Commissioner established the Insurance Tax Account (6160-81) which was created to receive the remittances of the two percent premium tax. Likewise, in order to comply with Chapter 33, Article 12, Section 16a of the West Virginia Code, the Insurance Commissioner established the Municipal Pensions and Protection Fund Account (8018-09) which was created to receive the remittances of the four percent additional premium tax.

We noted the Insurance Commissioner was apparently placing all premium tax collections in the Insurance Tax Account (6160-81) during the audit period. As a result, the Insurance Commissioner apparently failed to remit the following amounts to the Municipal Pensions and Protection Fund Account (8018-09) during the audit period:

<u>Fiscal Year</u>	<u>Amount</u>
1983	\$229,703.52
1984	246,085.44
1985	<u>223,019.88</u>
	<u>\$698,808.94</u>

Subsequent to the date of the financial statement (June 30, 1985), the Insurance Commissioner reassessed the proper disposition of the two percent and additional four percent premium taxes and appears to be currently remitting the premium taxes to the proper accounts.

We recommend the Commissioner transfer \$698,808.84 from the Insurance Tax Account (6160-81) to the Municipal Pensions and Protection Fund Account (8018-09).

The Department does not know how to resolve this problem other than going through the Court of Claims. It is not even known if this could be a solution after such a long period of time has elapsed.

Possible Premium Tax Overcharge

An additional premium tax was imposed on premiums collected for fire and casualty insurance policies effective January 1, 1982. The annual premium tax return for each calendar year is due on or before the expiration of one month after the end of the calendar year being reported on. For example, the initial additional fire and casualty insurance premium tax would have been based on premium tax returns for calendar year 1982 filed on or before January 31, 1983. Chapter 33, Article 3, Section 14d of the West Virginia Code creating the additional fire and casualty insurance premium tax states in part, "For the purpose of providing additional revenue for municipal policemen's and firemen's pension and relief funds and additional revenue for volunteer and part volunteer fire companies and departments, there is hereby levied and imposed, on and after the first day of January, one thousand nine hundred eighty-two, an additional premium tax equal to one percent of gross direct premiums collected, less premiums returned to policyholders because of cancellation of policies, for fire insurance and casualty insurance policies. Except as otherwise provided in this section, all provisions of this article relating to the levy, imposition and collection of the regular premium tax are applicable to the levy, imposition and collection of the additional tax" We noted the additional fire and casualty insurance premium tax is assessed based on amounts reported on each insurer's annual statement.

The lines of business shown on the annual statement are as follows:

- (1) Fire,
- (2) Allied Lines,
- (3) Farmowners Multiple Peril,
- (4) Homeowners Multiple Peril,
- (5) Commercial Multiple Peril,
- (6) Ocean Marine,
- (7) Inland Marine,
- (8) Medical Malpractice,
- (9) Earthquake,
- (10) Group Accident and Health,
- (11) Credit Accident and Health (Group and Individual),
- (12) Collectively Renewable Accident and Health,
- (13) Non-Cancellable Accident and Health,

(14) Guaranteed Renewable Accident and Health, (15) Non-Renewable for Stated Reasons Only, (16) Other Accident Only, (17) All Other Accident and Health, (18) Workers' Compensation, (19) Other Liability, (20) Private Passenger Auto No-Fault (Personal Injury Protection), (21) Other Private Passenger Auto Liability, (22) Commercial Auto No-Fault (Personal Injury Protection), (23) Other Commercial Auto Liability, (24) Private Passenger Auto Physical Damage, (25) Commercial Auto Physical Damage, (26) Aircraft (All Perils), (27) Fidelity, (28) Surety, (29) Glass, (30) Burglary and Theft, (31) Boiler and Machinery, and (32) Credit. Initially, the Insurance Commissioner's staff assessed the additional fire and casualty insurance premium tax on the total direct premiums written for all of the aforementioned lines of business. However, effective January 1, 1985 the Insurance Commissioner's staff determined the additional fire and casualty premium tax should be assessed only on certain lines of business as defined by Chapter 33, Article 1, Section 10 of the West Virginia Code, as amended.

Chapter 33, Article 1, Section 10 of the West Virginia Code, as amended states in part,

"The following definitions of kinds of insurance are not mutually exclusive and, if reasonably adaptable thereto, a particular coverage may be included under one or more of such definitions:

(c) Fire — Fire insurance is insurance on real or personal property of every kind and interest therein, against loss or damage from any or all hazard or cause, and against loss consequential upon such loss or damage, other than noncontractual liability for any such loss or damage. Fire insurance shall also include miscellaneous insurance as defined in paragraph (e) (11) of this section.

(e) Casualty — Casualty insurance includes:

(1) Vehicle insurance, which is insurance against loss of or damage to any land vehicle or aircraft or any draft or riding animal or to property while contained therein or thereon or being loaded therein or therefrom, from any hazard or cause, and against any loss, liability or expense resulting from or incident to ownership, maintenance or use of any such vehicle, aircraft or animal; together with insurance against accidental death or accidental injury to individuals, including the named insured, while in, entering, alighting from, adjusting, repairing or cranking, or caused by being struck by any vehicle, aircraft or draft or riding animal, if such insurance is issued as a part of insurance on the vehicle, aircraft or draft or riding animal.

(2) Liability insurance, which is insurance against legal liability for the death, injury or disability of any human being, or for damage to property; and provision for medical, hospital, surgical, disability benefits to injured persons and funeral and death benefits to dependents, beneficiaries or personal representatives of persons killed, irrespective of legal liability of the insured, when issued as an incidental coverage with or supplemental to liability insurance.

(3) Burglary and theft insurance, which is insurance against loss or damage by burglary, theft, larceny, robbery, forgery, fraud, vandalism, malicious mischief, confiscation, or wrongful conversion, disposal or concealment, or from any attempt at any of the foregoing, including supplemental coverages for medical, hospital, surgical and funeral benefits sustained by the named insured or other person as a result of bodily injury during the commission of a burglary, robbery or theft by another; also insurance against loss of or damage to moneys, coins, bullion, securities, notes, drafts, acceptances or any other valuable papers and documents, resulting from any cause.

(4) Personal property floater insurance, which is insurance upon personal effects against loss or damage from any cause.

(5) Glass insurance, which is insurance against loss or damage to glass, including its lettering, ornamentation and fittings.

(6) Boiler and machinery insurance, which is insurance against any liability and loss or damage to property or interest resulting from accidents to or explosion of boilers, pipes, pressure containers, machinery or apparatus, and to make inspection of and issue certificates of inspection upon boilers, machinery and apparatus of any kind, whether or not insured.

(7) Leakage and fire extinguishing equipment insurance, which is insurance against loss or damage to any property or interest caused by the breakage or leakage of sprinklers, hoses, pumps and other fire extinguishing equipment or apparatus, water mains, pipes and containers, or by water entering through leaks or openings in buildings, and insurance against loss or damage to such sprinklers, hoses, pumps and other fire extinguishing equipment or apparatus.

(8) Credit insurance, which is insurance against loss or damage resulting from failure of debtors to pay their obligations to the insured. Credit insurance shall include loss of income insurance which is insurance against the failure of a debtor to pay his or her money obligation due to involuntary loss of employment. For the purpose of this definition, involuntary loss of employment means unemployment which has occurred as a result of, but not limited to, individual or mass layoffs, general strikes or lockouts.

(9) Malpractice insurance, which is insurance against legal liability of the insured, and against loss, damage or expense incidental to a claim of such liability, and including medical, hospital, surgical and funeral benefits to injured persons, irrespective of legal liability of the insured arising out of the death, injury or disablement of any person, or arising out of damage to the economic interest of any person, as the result of negligence in rendering expert, fiduciary or professional service.

(10) Entertainment insurance, which is insurance indemnifying the producer of any motion picture, television, radio, theatrical, sport, spectacle, entertainment or similar production, event or exhibition against loss from interruption, postponement or cancellation thereof due to death, accidental injury or sickness of performers, participants, directors or other principals.

(11) Miscellaneous insurance, which is insurance against any other kind of loss, damage or liability properly a subject of insurance and not within any other kind of insurance as defined in this chapter, if such insurance is not disapproved by the commissioner as being contrary to law or public policy."

Currently, the additional fire and casualty insurance premium tax is being assessed on the following lines of business:

(1) Fire, (2) Allied Lines, (3) Farmowners Multiple Peril, (4) Homeowners Multiple Peril, (5) Commercial Multiple Peril, (6) Medical Malpractice, (7) Earthquake, (8) Workers' Compensation, (9) Other Liability, (10) Private Passenger Auto No-Fault (Personal Injury Protection), (11) Other Private Passenger Auto Liability, (12) Commercial Auto No-Fault (Personal Injury Protection), (13) Other Commercial Auto Liability, (14) Private Passenger Auto Physical Damage, (15) Commercial Auto Physical Damage, (16) Aircraft (All Perils), (17) Glass, (18) Burglary and Theft, (19) Boiler and Machinery, and (20) Credit.

As a result of the re-evaluation of the assessment of the additional fire and casualty insurance premium tax, the Insurance Commissioner may owe insurance companies refunds or credits for overpayments of premium taxes due between January 1, 1982 and December 31, 1985. We obtained a memorandum dated November 1, 1985 from the General Counsel of the Legal Division to a Staff Assistant in the Financial Conditions Division which states in part, "We have estimated the 1% additional tax overpayment for 82, 83, and 84 at approximately \$1,382,000. This figure was calculated by using total numbers

from the 82 and 83 annual reports and projected them forward for the 84 tax year ... It is my opinion that this estimate is substantially higher than what may actually be experienced. This is due to the fact that in our estimate, we were unable to take into consideration those companies that may have understood the code and did not include the excluded lines in their tax calculations."

Our examination indicates approximately 500 fire and casualty insurance companies are licensed in West Virginia. We examined collections from 26 of those companies based on annual statements for calendar years 1983-1985. Based on the revised method of assessing the additional fire and casualty insurance premium tax, we noted the following: 17 companies may be due refunds totaling \$100,716.88 for calendar year 1983; 19 companies may be due refunds totaling \$142,207.91 for calendar year 1984; and, 14 companies may be due refunds totaling \$67,133.82 for calendar year 1985. Based on our examination, it appears the estimate of approximately \$1,382,000.00 in overpayments may be too conservative because some companies continued to calculate the premium tax using the previous assessment method for calendar year 1985.

We recommend the Commissioner request the Attorney General review the assessment of the additional fire and casualty insurance premium tax to ascertain whether refunds or credits are due. If refunds or credits are due, we recommend the Insurance Commissioner identify the companies due refunds as well as quantify such refunds.

Refunds are made to companies that have overpaid their premium taxes when the overpayment is brought to the attention of the Department.

Possible Underpayment of Premium Tax

As a result of our examination of collections of the additional fire and casualty insurance premium tax, we discovered several instances where it appears insurance companies may have underpaid the applicable premium tax. We computed the additional fire and casualty insurance premium tax utilizing the

current method of assessment in use since January 1, 1985 and the prior method of assessment utilized between January 1, 1982 and December 31, 1984. Both methods of computation revealed possible underpayments of the additional fire and casualty insurance premium tax. Utilizing the current method of assessing the premium tax, our examination revealed the following possible underpayments: 1983 - \$3,291.77, \$15,574.55 and \$11,468.70; 1984 - \$17,686.95; and, 1985 - \$17,141.90 and \$556.04.

Based on our calculations, it appears one company paid only 13% of the tax owed for calendar years 1983 and 1984 while in calendar year 1985, it appears the company paid only 33% of the tax owed. Chapter 33, Article 3, Section 14d(a) of the West Virginia Code states in part,

"a) For the purpose of providing additional revenue for municipal policemen's and firemen's pension and relief funds and additional revenue for volunteer and part volunteer fire companies and departments, there is hereby levied and imposed, on and after the first day of January, one thousand nine hundred eighty-two, an additional premium tax equal to one percent of gross direct premiums collected, less premiums returned to policyholders because of cancellation of policies, for fire insurance and casualty insurance policies. Except as otherwise provided in this section, all provisions of this article relating to the levy, imposition and collection of the regular premium tax are applicable to the levy, imposition and collection of the additional tax. "

The Insurance Commissioner's staff had reviewed the company's premium tax returns and the potential underpayments apparently were not detected. However, after their detection during the current audit, we have reviewed evidence the Insurance Commissioner's staff has taken steps to collect the unpaid additional fire and casualty insurance premium tax.

We recommend the Commissioner comply with Chapter 33, Article 3, Section 14d(a) of the West Virginia Code and continue efforts to collect any unpaid additional fire and casualty insurance premium taxes.

The Department does not have the personnel needed to undertake this effort. However the company's annual statements mentioned above will be re-examined.

Timely Payment of Premium Taxes

We noted several insurance companies who apparently paid the premium tax and additional premium tax in one annual payment rather than in quarterly installments as required by Chapter 33, Article 3, Section 14c of the West Virginia Code, as amended. Specifically, we noted 14 instances amounting to \$25,062.05 in fiscal year 1984 and 13 instances amounting to \$34,951.42 in fiscal year 1985.

Chapter 33, Article 3, Section 14c of the West Virginia Code, as amended states,

" The taxes levied hereunder shall be due and payable in quarterly installments on or before the twenty-fifth day of the month succeeding the end of the quarter in which they accrue, except for the fourth quarter, for which taxes shall be due and payable on or before the first day of March of the succeeding year. The insurer subject to making such payments shall, by the twenty-fifth day of the month succeeding the close of the quarter, except the fourth quarter as provided above, prepare an estimate of the tax based on the estimated amount of taxable premium during the preceding calendar quarter, less adjustments to the gross amount of direct premiums from the preceding quarter, sign the same by its president or secretary, under oath, and mail the same together with a remittance of the amount of tax to the office of the commissioner. The tax remittance shall be postmarked on or by the twenty-fifth day of the month succeeding the quarter in which the taxes accrue, or in the case of the fourth quarter, postmarked on or before the first day of March.

Any insurer failing or refusing to pay estimated taxes and whose taxes are not postmarked by the preceding dates for quarterly filing is liable for a civil penalty of up to one hundred dollars for each additional day of delinquency, to be assessed by the commissioner. Failure of an insurer to make quarterly payments, if required, of at least one fourth of either the total tax paid during the preceding calendar year or eighty percent of the actual tax for the current calendar year is considered the same as a failure or refusal to pay the estimated taxes and subjects the insurer to the penalties provided in this section. The amount of estimated taxes and the penalties collected shall be paid to the commissioner and he may suspend the insurer until estimated taxes and penalty, should any penalty be imposed, are fully paid. "

We were unable to locate regulations which would authorize the single annual payment.

We recommend the Commissioner comply with Chapter 33, Article 3, Section 14c of the West Virginia Code, as amended.

This recommendation has been implemented by the Department.

Deposit of Receipts

We noted various fees and taxes were collected by the Consumer Service Division, Financial Conditions Division and the Administrative Office during the audit period. It appears the divisions' remitted collections to the Administrative Office approximately once a week. In turn, the Administrative Office deposited all collections in the State Treasury on a weekly basis.

Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended states in part, "All officials and employees of the State authorized by statute to accept moneys due the State of West Virginia shall keep a daily itemized record of such moneys so received for deposit in the state treasury and shall deposit within twenty-four hours with the state treasurer all moneys received or collected by them for or on behalf of the State for any purpose whatsoever" As a result of collections not being deposited within the specified 24 hours, the State may have lost interest income.

We recommend the Commissioner comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

Step-by-step procedures of collecting and depositing taxes, fees, etc. have been revised to comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

Disposal of Records

The Financial Conditions Division of the Office of the Insurance Commissioner of West Virginia reconciles the individual deposits made by the division to the amounts shown in the records maintained by the State Auditor's Office for reimbursements to the Current Expense Account (6160-01) and fees deposited in the Fees Account (6160-80); Insurance Tax Account (6160-81), Fire Marshal Tax Account (6160-83) and Municipal Pension and Protection Fund Account (8018-09). We were unable to obtain the ledgers for the period July 1, 1977 to June 30, 1984. The lack of ledgers made our examination of the reconciliation process which is

designed to assure fees were deposited in the proper accounts and amounts very difficult. Total annual collections in these accounts ranged from 23 million to 45 million dollars during the audit period.

Our examination of telephone expense revealed supporting documentation showing individual calls and charges apparently had been destroyed. As a result, we were unable to review supporting documentation to search for unusual items or potential patterns of telephone abuse. The expenditures for long distance telephone calls amounted to \$30,893.03 in fiscal year 1985 and \$28,632.40 in fiscal year 1984.

In addition, the Insurance Commissioner established Insurance Regulators Meeting Fund Account (8018-10) in May 1983. Subsequently, the monies deposited in the account apparently were transferred to a local bank account via a State warrant made payable to the Insurance Commissioner in the amount of \$5,010.00. The purpose of the account was to coordinate the August 1983 Southeastern Zone Policy and Rate Regulators Meeting of the National Association of Insurance Commissioners held in Charleston.

The receipts consisted of registration fees assessed participants in the meeting. According to agency personnel, expenditures from the local bank account were made to cover the costs of banquets, luncheons, a cruise and other miscellaneous expenses during the meeting. Once the meeting was held, the local bank account was closed; however, all supporting documentation including bank statements and cancelled checks were not retained. As a result, we were unable to review the activity in the local bank account. Also, we were unable to locate three of eight Intra-Governmental Transfers (IGT's) processed in the Consumer Services Account (8018-08).

Chapter 5, Article 8, Section 17 of the West Virginia Code, as amended states, "No record shall be destroyed or otherwise disposed of by any agency of the state, unless it is determined by the administrator and the director of the

division of archives and history of the department of culture and history that the record has no further administrative, legal, fiscal, research or historical value."

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

This recommendation has been noted.

Deduction Authorizations

Chapter 21, Article 5C, Section 6 of the West Virginia Code, as amended, concerning the West Virginia Labor Commissioner states, "It shall be the duty of the commissioner to enforce and administer the provisions of this article, and to promulgate such rules and regulations, in accordance with chapter twenty-nine A [§29A-1-1 et seq.] of the Code of West Virginia, one thousand nine hundred thirty-one, as amended, as shall be needful to give effect to the provisions of this article." Consistent with the aforementioned Code section, the West Virginia Labor Commissioner promulgated Rules and Regulations for Minimum Wage and Maximum Hours Standards for Employees.

Section 203-4 of the Rules and Regulations for Minimum Wage and Maximum Hours Standards for Employees states, "Records of additions or deductions from wages paid shall be maintained as to date, amount and nature of the items which make up the total additions and deductions."

We noted exemption declarations (W-4 forms), savings bonds deduction forms, credit union deductions and other miscellaneous deduction authorizations could not be located for all employees. As a result, we were unable to determine if the proper amounts were being withheld from the employees' salaries.

We recommend the Commissioner comply with Section 203-4 of Rules and Regulations for Minimum Wage and Maximum Hours Standards for Employees.

The Department has complied with Section 203-4 of Rules & Regulations for Minimum Wage Hours Standards for Employees as of June 12, 1987.

Examiners' Annual Leave Not Properly Approved

The Insurance Commissioner of West Virginia's Rules and Regulations relating to Examiner's Compensation, Qualification and Classification states, "Annual leave may be taken by the examiner only upon written approval by the Commissioner or the Director of Financial Conditions. Approvals must be requested at least as far in advance of the leave as the length of leave is requested, i.e., for four days leave, the request must be submitted at least four days in advance. In a case of emergency, the requirement periods for advance requests may be waived by the Commissioner"

During our review of annual leave for examiners, we could not locate written documentation approving the annual leave taken during the audit period.

We recommend the Commissioner require employees to comply with applicable rules and regulations.

The Department has already adopted these rules and regulations.

Inventory

The Insurance Commissioner apparently did not file an annual inventory during each year of the audit period with the West Virginia State Agency for Surplus Property. Chapter 5A, Article 3, Section 42 of the West Virginia Code states, "The head of every department of the state government shall, on or before July fifteenth of each year, file with the director an inventory of all real and personal property, and of all equipment, supplies, and commodities in its possession as of the close of the last fiscal year." As a result, we could not determine all reportable equipment purchases were reported to the West Virginia State Agency for Surplus Property whose responsibilities include maintaining inventory records for all State departments.

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

The Department is complying with this recommendation and has been doing so since February 1985.

Expenditures for Books

We noted in our examination of the Current Expense Account (6160-01), the Insurance Commissioner made expenditures for books totaling \$809.70 in fiscal year 1985 and \$151.34 in fiscal year 1984 utilizing Line Item 020 - Office Expenses. The utilization of line item codes is controlled by guidelines promulgated by the Department of Finance and Administration. It appears books, including dictionaries, would be properly classified as an expenditure from the Equipment Account (6160-03), Line Item 077.

Chapter 5, Article 1A, Section 4, Subsections (2) and (3) of the West Virginia Code define "current expenses" and "equipment" as, "(2) 'Current expenses' which shall mean operating costs other than personal services, and shall not include equipment, repairs and alterations, buildings or lands. (3) 'Equipment' which shall mean equipment items which have an appreciable and calculable period of usefulness in excess of one year." It appears the items identified in the above paragraph would have a period of usefulness in excess of one year.

We recommend the Commissioner comply with Chapter 5, Article 1A, Section 4, Subsections (2) and (3) of the West Virginia Code.

This oversight has been corrected as can be seen in this year's approved expenditure schedule.

Cash Advances

During fiscal year 1984, \$3,775.00 in cash advances were requested from Current Expense Account (6160-01); while in fiscal year 1985, \$9,240.00 in cash advances were requested. Our examination shows ten of 16 cash advances obtained in fiscal year 1984 and two of 26 cash advances obtained in fiscal year 1985 apparently were not settled within 30 days of the last day of travel.

The Governor's Travel Regulations state in Section 5, Subsection B entitled "Advance Allowance", "An agency or department head may approve an advance allowance for out-of-state travel, provided that the transmittal for the advance allowance is cleared against the related expenses within thirty (30) days of the last day of travel. The department head will be responsible to ascertain that such allowance and related expense reports are cleared within thirty (30) days." As a result of cash advances not being settled timely, employees were allowed to hold funds which should have been returned to the State of West Virginia.

We recommend the Commissioner comply with the Governor's Travel Regulations regarding the settlement of cash advances.

This problem ceased in January 1985. The new Governor's Travel Regulations basically prevent this from occurring in the future.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

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

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

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

Our study and evaluation of the system of internal accounting control for the period July 1, 1977 to June 30, 1985, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed conditions that we believe to a weakness.

Examiners' Living Expenses

We noted examiners are employed by the Insurance Commissioner for the purpose of examining the financial condition and compliance with applicable laws exhibited by individual insurance companies. Section 4:12 of the Insurance Commissioner's Regulations Relating To Examiners' Compensation, Qualification and Classification states in part, "In lieu of reimbursement for actual living expenses, examiners may receive a per diem allowance of \$40.00 per day when assigned within the State of their employment and \$50.00 per day when assigned out of State"

Consistent with Section 4:04 of the aforementioned regulations which states, "Authorized living expenses shall be charged to the company being examined

on a basis of seven days per week for the duration of the on-site examination unless the examiner travels home or away from the vicinity of the company being examined, or takes annual leave. Living expenses shall not be authorized if the examination takes place in a town in which the examiner maintains the residence.", the per diem allowance would not have been allowed if any of the exceptions in Section 4:04 applied. However, we were unable to observe receipts for hotel lodging because apparently such receipts are not required if the per diem allowance is chosen. Without receipts for lodging we do not have sufficient documentation to verify the examiner was entitled to the per diem allowance on a particular day, especially weekends.

We recommend lodging receipts be required to support per diem allowances paid to insurance examiners.

The Department's regulations follow the National Association of Insurance Commissioners Examiners Handbook which sets guidelines for Financial Examiners. This has been approved by the Legislature.

AUDITORS' OPINION

The Honorable Encil Bailey
Legislative Auditor
State Capitol - West Wing
Charleston, West Virginia

Sir:

We have examined the statement of appropriations/cash receipts, expenditures/disbursements and changes in fund balances of the Insurance Commissioner of West Virginia for the years ended June 30, 1985 and June 30, 1984. Except as explained in the following paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

During the course of our examination, we discovered ledgers maintained by the Financial Conditions Division during the period July 1, 1977 through June 30, 1984 had been destroyed and, accordingly, we were unable to trace all receipts to deposit in the State Treasury during most of the period under examination. Also, ledgers maintained by the Consumer Service Division regarding agents licensing were not prepared in a manner that facilitated tracing information to proper supporting documentation.

We were unable to apply auditing procedures to determine collections were placed in the proper accounts by the Financial Conditions Division during the period July 1, 1977 through June 30, 1984 and we were unable to determine all transactions in ledgers maintained by the Consumer Service Division were supported by proper documentation.

As more fully described in Note A, the financial statement was prepared using the cash and modified cash basis of accounting. Accordingly, the financial statement is not intended to present financial position and results of operations in accordance with generally accepted accounting principles.

In our opinion, subject to the effects, if any, on the financial statements resulting from the possibility of collections not being placed in the proper accounts or not being supported by adequate documentation referred to in the preceding paragraph, the statement of appropriations/cash receipts, expenditures/disbursements and changes in fund balances of the Insurance Commissioner of West Virginia presents fairly appropriations, expenditures and cash transactions for the years ended June 30, 1985 and June 30, 1984 on a basis consistent with the preceding year.

Our examination was made for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statement;

and, in our opinion, subject to the effects of any collections not being placed in proper accounts which may have occurred as discussed in paragraph two above, such information is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,

Theodford L. Shanklin

Theodford L. Shanklin, CPA, Director
Legislative Postaudit Division

June 4, 1986

Auditors: Michael E. Sizemore, CPA, Supervisor
Robert E. High, Auditor-in-Charge
Joseph G. Giles

INSURANCE COMMISSIONER OF WEST VIRGINIA

STATEMENT OF APPROPRIATIONS/CASH RECEIPTS, EXPENDITURES/

DISBURSEMENTS AND CHANGES IN FUND BALANCES

	Year Ended June 30, 1985			Combined Totals
	General Revenue	Special Revenue	Revenue Sharing Funds	
Appropriations/Cash Receipts:				
Appropriations	\$ 879,096.00	\$ -0-	\$ -0-	\$ 879,096.00
Insurance Taxes	-0-	38,405,296.78	-0-	38,405,296.78
Revolving Fund Receipts	-0-	249,177.20	-0-	249,177.20
Departmental Fees	-0-	547,109.52	-0-	547,109.52
Miscellaneous Collections	-0-	-0-	-0-	-0-
	<u>879,096.00</u>	<u>39,201,583.50</u>	<u>-0-</u>	<u>40,080,679.50</u>
Expenditures/Disbursements:				
Personal Services	601,405.27	127,425.00	-0-	728,830.27
Current Expenses	156,081.66	94,036.21	-0-	250,117.87
Equipment	6,683.19	-0-	-0-	6,683.19
Transfers to State General Revenue Fund	-0-	38,287,350.85	-0-	38,287,350.85
Refunds	-0-	-0-	-0-	-0-
	<u>764,170.12</u>	<u>38,508,812.06</u>	<u>-0-</u>	<u>39,272,982.18</u>
Appropriations/Cash Receipts Over Expenditures/Disburse- ments	114,925.88	692,771.44	-0-	807,697.32
Expirations and Expenditures After June 30	(114,925.88)	-0-	(0.36)	(114,926.24)
Beginning Balance	-0-	8,834,900.75	36,345.71	8,871,246.46
Transfers from Governor's Civil Contingent Fund Account (1240-06)	-0-	-0-	-0-	-0-
Ending Balance	<u>\$ -0-</u>	<u>\$ 9,527,672.19</u>	<u>\$ 36,345.35</u>	<u>\$ 9,564,017.54</u>

See Notes to Financial Statement

Year Ended June 30, 1984

<u>General Revenue</u>	<u>Special Revenue</u>	<u>Revenue Sharing Funds</u>	<u>Combined Totals</u>
\$ 785,964.00	\$ -0-	\$ 77,675.00	\$ 863,639.00
-0-	37,259,784.67	-0-	37,259,784.67
-0-	204,398.70	-0-	204,398.70
-0-	501,806.00	-0-	501,806.00
-0-	830.00	-0-	830.00
<u>785,964.00</u>	<u>37,966,819.37</u>	<u>77,675.00</u>	<u>38,830,458.37</u>
573,888.99	107,955.00	35,057.65	716,901.64
177,318.19	82,520.56	6,271.64	266,110.39
17,491.21	-0-	-0-	17,491.21
-0-	36,094,828.06	-0-	36,094,828.06
-0-	5,010.00	-0-	5,010.00
<u>768,698.39</u>	<u>36,290,313.62</u>	<u>41,329.29</u>	<u>37,100,341.30</u>
17,265.61	1,676,505.75	36,345.71	1,730,117.07
(17,265.61)	-0-	-0-	(17,265.61)
-0-	7,153,395.00	-0-	7,153,395.00
-0-	5,000.00	-0-	5,000.00
<u>\$ -0-</u>	<u>\$ 8,834,900.75</u>	<u>\$ 36,345.71</u>	<u>\$ 8,871,246.46</u>

INSURANCE COMMISSIONER OF WEST VIRGINIA

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 30-day carry-over period is provided at the end of the fiscal year ended June 30, 1985 and a 92-day carry-over period is provided at the end of the fiscal year ended June 30, 1984 for the payment of obligations incurred in those years. 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 30 days after the fiscal year ended June 30, 1985 and 92 days after the fiscal year ended June 30, 1984; however, appropriations for buildings and land remain in effect until three years after the passage of the act by which such appropriations were made. The cash basis of accounting is followed by all other funds. Therefore, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

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

	Expenditures		Expirations	
	Paid After June 30, 1985	1984	July 31, 1985	Sept. 30, 1984
Personal Services	\$ -0-	\$ -0-	\$37,290.73	\$ 679.01
Current Expenses	25,112.00	13,351.53	44,206.34	3,226.28
Equipment	6,829.75	-0-	1,487.06	8.79
	<u>\$31,941.75</u>	<u>\$13,351.53</u>	<u>\$82,984.13</u>	<u>\$ 3,914.08</u>

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

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4.5% of their annual compensation and employees have vested rights under certain circumstances. The West Virginia Public Employees' Retirement System matches contributions at 9.5% of the compensation on which the employees made contributions. The Insurance Commissioner of West Virginia

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

	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Special Revenue	<u>\$12,132.51</u>	<u>\$10,677.64</u>

SUPPLEMENTAL INFORMATION

INSURANCE COMMISSIONER OF WEST VIRGINIA
 STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
 GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
<u>Personal Services - Account 6160-00</u>		
Appropriations	\$638,696.00	\$611,155.00
Reduction of Appropriations:		
House Bill 120	-0-	(19,497.00)
House Bill 1520	-0-	(17,090.00)
	<u>638,696.00</u>	<u>574,568.00</u>
Expenditures	<u>601,405.27</u>	<u>573,888.99</u>
	37,290.73	679.01
Transmittals Paid After June 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ 37,290.73</u>	<u>\$ 679.01</u>
 <u>Current Expenses - Account 6160-01</u>		
Appropriations	\$225,400.00	\$201,114.00
Reduction of Appropriations:		
House Bill 1520	-0-	(7,218.00)
	<u>225,400.00</u>	<u>193,896.00</u>
Expenditures	<u>181,193.66</u>	<u>190,669.72</u>
	44,206.34	3,226.28
Transmittals Paid After June 30	<u>25,112.00</u>	<u>13,351.53</u>
Balance	<u>\$ 69,318.34</u>	<u>\$ 16,577.81</u>
 <u>Equipment - Account 6160-03</u>		
Appropriations	\$ 15,000.00	\$ 17,500.00
Expenditures	<u>13,512.94</u>	<u>17,491.21</u>
	1,487.06	8.79
Transmittals Paid After June 30	<u>6,829.75</u>	<u>-0-</u>
Balance	<u>\$ 8,316.81</u>	<u>\$ 8.79</u>

INSURANCE COMMISSIONER OF WEST VIRGINIA
 STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
 GENERAL REVENUE

	Year Ended June 30,	
	1985	1984
<u>Fees - Account 6160-80</u>		
Cash Receipts:		
Departmental Fees	\$ 547,109.52	\$ 501,806.00
Disbursements:		
Transfers to State General Revenue Fund	547,109.52	501,806.00
	-0-	-0-
Beginning Balance	-0-	-0-
Ending Balance	\$ -0-	\$ -0-
 <u>Insurance Tax - Account 6160-81</u>		
Cash Receipts:		
Insurance Tax	\$37,233,722.00	\$35,592,383.39
Less: Refunds	(11,635.08)	(515,337.87)
	37,222,086.92	35,077,045.52
Disbursements:		
Transfers to State General Revenue Fund	37,222,086.92	35,077,045.52
	-0-	-0-
Beginning Balance	-0-	-0-
Ending Balance	\$ -0-	\$ -0-
 <u>Fire Marshal Tax - Account 6160-83</u>		
Cash Receipts:		
Fire Marshal Tax	\$ 518,154.41	\$ 515,976.54
Disbursements:		
Transfers to State General Revenue Fund	518,154.41	515,976.54
	-0-	-0-
Beginning Balance	-0-	-0-
Ending Balance	\$ -0-	\$ -0-

INSURANCE COMMISSIONER OF WEST VIRGINIA
 STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCE
 SPECIAL REVENUE

<u>Commission Exam Revolving Fund - Account 8018-06</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:		
Revolving Fund Receipts	\$249,177.20	\$204,398.70
Disbursements:		
Personal Services	127,425.00	107,955.00
Current Expenses	93,736.60	78,954.39
	<u>221,161.60</u>	<u>186,909.39</u>
Cash Receipts Over Disbursements	28,015.60	17,489.31
Beginning Balance	<u>51,023.19</u>	<u>33,533.88</u>
Ending Balance	<u>\$ 79,038.79</u>	<u>\$ 51,023.19</u>
<u>Consumer Services - Account 8018-08</u>		
Cash Receipts	\$ -0-	\$ -0-
Disbursements	<u>-0-</u>	<u>-0-</u>
	-0-	-0-
Beginning Balance	<u>439.88</u>	<u>439.88</u>
Ending Balance	<u>\$ 439.88</u>	<u>\$ 439.88</u>

INSURANCE COMMISSIONER OF WEST VIRGINIA
 STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCE
 SPECIAL REVENUE

<u>Municipal Pensions and Protection Fund -</u> <u>1% - Account 8018-09</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:		
Insurance Taxes	\$ 665,055.45	\$1,910,938.17
Less: Refunds	-0-	(244,175.56)
	665,055.45	1,666,762.61
Disbursements	-0-	-0-
Cash Receipts Over Disbursements	665,055.45	1,666,762.61
Beginning Balance	8,782,003.85	7,115,241.24
Ending Balance	\$9,447,059.30	\$8,782,003.85
<u>Insurance Regulators Meeting Fund -</u> <u>Account 8018-10</u>		
Cash Receipts:		
Miscellaneous Collections	\$ -0-	\$ 830.00
Disbursements:		
Refunds	-0-	5,010.00
Cash Receipts (Under) Disbursements	-0-	(4,180.00)
Beginning Balance	-0-	4,180.00
Ending Balance	\$ -0-	\$ -0-

INSURANCE COMMISSIONER OF WEST VIRGINIA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
SPECIAL REVENUE

<u>Insurance Unisex Hearings - Account 8018-17</u>	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Cash Receipts:		
Transfer from Governor's Civil		
Contingent Fund - Account 1240-06	\$ -0-	\$5,000.00
Disbursements:		
Current Expenses	<u>299.61</u>	<u>3,566.17</u>
Cash Receipts (Under) Over Disbursements	(299.61)	1,433.83
Beginning Balance	<u>1,433.83</u>	<u>-0-</u>
Ending Balance	<u><u>\$1,134.22</u></u>	<u><u>\$1,433.83</u></u>

INSURANCE COMMISSIONER OF WEST VIRGINIA
 STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
 REVENUE SHARING FUNDS

	Year Ended June 30,	
	1985	1984
<u>Personal Services - Account 9790-00</u>		
Appropriations	\$ -0-	\$71,403.00
Reappropriations - FY 1984	36,345.35	-0-
	36,345.35	71,403.00
 Expenditures	 -0-	 35,057.65
	36,345.35	36,345.35
 Transmittals Paid After June 30	 -0-	 -0-
 Balance	 \$36,345.35	 \$36,345.35
 <u>Current Expenses - Account 9790-01</u>		
Appropriations	\$ -0-	\$ 6,272.00
Reappropriations - FY 1984	0.36	-0-
	0.36	6,272.00
 Expenditures	 -0-	 6,271.64
	0.36	0.36
 Transmittals Paid After June 30	 -0-	 -0-
 Balance	 \$ 0.36	 \$ 0.36

INSURANCE COMMISSIONER OF WEST VIRGINIA

STATEMENT OF ACCOUNTS RECEIVABLE

	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Beginning Balance	\$ 17,588.60	\$ 5,995.00
Additions:		
Accounts Receivable Billings	<u>253,869.20</u>	<u>215,992.30</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$271,457.80</u>	<u>\$221,987.30</u>
Deductions:		
Revolving Fund Receipts	\$249,177.20	\$204,398.70
Ending Balance	<u>22,280.60</u>	<u>17,588.60</u>
TOTAL CASH ACCOUNTED FOR	<u>\$271,457.80</u>	<u>\$221,987.30</u>

INSURANCE COMMISSIONER OF WEST VIRGINIA

RECONCILIATIONS

SPECIAL REVENUE

JUNE 30, 1985

Commission Exam Revolving Fund -
Account 8018-06

Balance per State Treasury and Agency \$ 79,038.79

Consumer Services - Account 8018-08

Balance per State Treasury and Agency \$ 439.88

Municipal Pensions and Protection Fund -
1% - Account 8018-09

Balance per State Treasury and Agency \$9,447,059.30

Insurance Unisex Hearings - Account 8018-17

Balance per State Treasury and Agency \$ 1,134.22

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Encil Bailey, Legislative Auditor, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 15th day of September,
1987.



Encil Bailey, Legislative Auditor

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