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STATE OF WEST VIRGINIA

AUDIT REPORT

OF

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

FOR THE PERIOD

JULY 1, 1994 - JUNE 30, 1996



OFFICE OF LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance



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CHARLESTON, WEST VIRGINIA 25305

January 6, 1997

Mr. Richard A. Atkinson III
West Virginia Alcohol Beverage
Control Commissioner
322 70th Street, SE
Charleston, WV 25304

Dear Mr. Atkinson:

Enclosed is an audit report of the accounts of the West Virginia Alcohol Beverage Control Commissioner which has been made in compliance with the West Virginia Code, Chapter 60, Article 2, Section 21, as amended. This audit covers the period July 1, 1994 through June 30, 1996.

Please acknowledge receipt of this letter and the audit report.

Respectfully,

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

Theford L. Shanklin, CPA, Director
Legislative Post Audit Division

TLS/cal

cc: West Virginia Department of Tax and Revenue

Governor

Attorney General

State Auditor

Secretary, Department of Administration

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSION

FOR THE PERIOD

JULY 1, 1994 - JUNE 30, 1996

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

TABLE OF CONTENTS

| | |
|---|----|
| Exit Conference | 1 |
| Introduction | 2 |
| Administrative Staff | 5 |
| Summary of Findings, Recommendations and Responses | 6 |
| General Remarks | 10 |
| Independent Auditors' Opinion | 33 |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balance. | 35 |
| Notes to Financial Statement | 36 |
| Supplemental Information | 37 |
| Certificates of Director, Legislative Post Audit Division . | 50 |

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CHARLESTON, WEST VIRGINIA 25305

The Joint Committee on Government and Finance:

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

Our examination covers the period July 1, 1994 through June 30, 1996. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

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

Theford L. Shanklin, CPA, Director
Legislative Post Audit Division

TLS/CAL

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

EXIT CONFERENCE

We held an exit conference on December 2, 1996 with the Commissioner and the Director of Accounting of the West Virginia Alcohol Beverage Control Commissioner and all findings and recommendations were reviewed and discussed. The above officials' responses are included in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks sections of this report.

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

INTRODUCTION

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

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

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

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

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

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

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

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

ADMINISTRATIVE OFFICERS AND STAFF

Richard A. Atkinson, III Commissioner
Ronald M. Moats Deputy Commissioner
Howard Wellman Deputy Commissioner
Patricia Holtsclaw Director of Accounting
Gary Phillips Data Processing Manager
Bill Adkins Director of Enforcement
Glenna Roe Payroll Supervisor
Carl Linville Warehouse Director

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

Adjusting Employees Time Sheets

1. As noted in our previous audit report the ABCC adjusts sick and annual leave balances.

We recommend all policies developed by the ABCC be in accordance with the West Virginia Division of Personnel's Administrative Rule.

AGENCY'S RESPONSE

We will comply with the audit recommendation. (See pages 12-14.)

Liquor Sales - Electronic Funds Transfers

2. The ABCC continued to ship liquor after receiving two or more nonsufficient EFT's in the same calendar year from a licensee's bank account. One retailer had nonsufficient EFT's for \$89,292 in calendar year 1995 and \$36,175 in calendar year 1996. Another retailer had nonsufficient EFT's for \$7,053 in calendar year 1996.

We recommend the ABCC comply with Title 175, Series 1, Section 4.6, Subsections 1 and 2.3 of the West Virginia Legislative Regulations.

AGENCY'S RESPONSE

The Agency uses EFT's exclusively to collect payments for liquor sold at wholesale. EFT's are the most efficient way to collect the funds due the State of West Virginia. Over 6800 payments for liquor are received and processed in a year's time with very few problems with dishonored EFT's. (See pages 14-17.)

Dishonored Electronic Funds Transfer Service Charge

3. The ABCC began a policy in April 1996 of charging retailers \$45.00 for dishonored electronic funds transfers (EFT's).

We recommend the ABCC comply with Chapter 61, Article 3, Section 39e of the West Virginia Code when collecting service charges for dishonored EFT's.

AGENCY'S RESPONSE

The West Virginia ABCC has taken the position that two dishonored EFT's in a year's time is a violation of the Rules and Regulations, and has determined that \$45.00 is a reasonable amount to settle the violation. (See pages 17 and 18.)

Unauthorized Changes to Travel Expense Forms

4. We noted 26 instances where an ABCC employee responsible for reviewing Travel Expense Account Settlement Forms for mathematical accuracy increased the amounts employees claimed

for meal allowances. The increases totaled \$205.00 for our sample during the audit period.

We recommend the ABCC comply with the State of West Virginia Governor's Travel Regulations.

AGENCY'S RESPONSE

We will comply with the audit recommendation. (See pages 18 and 19.)

Time Sheets not Supporting Travel Expenses

5. We noted 12 employees were paid a total of \$813.50 during our audit period for meal reimbursements, even though the employees' time sheets indicated no lunch break was taken.

We recommend the ABCC comply with the State of West Virginia Governor's Travel Regulations.

AGENCY'S RESPONSE

We will comply with the audit recommendation. (See pages 19 and 20.)

Meal Reimbursement for Single Day Travel

6. In accordance with the provisions of the Governor's Travel Regulations, ABCC employees were reimbursed \$1,105.00 for meal expenses incurred during the audit period where the trips did not require overnight stay (single-day travel). The reimbursements were not reported to these individuals on a Form W-2 (Wage and Tax Statement) as taxable income.

We recommend the ABCC comply with Chapter 11, Article 21, Sections 12 and 72 of the West Virginia Code, as amended.

AGENCY'S RESPONSE

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

Sick Leave Buy-Back

7. We noted the sick leave buy-back for two employees was incorrectly calculated. The errors resulted in one employee being over charged \$70.85 and another employee was under charged \$14.92.

We recommend the ABCC comply with Chapter 23, Article 4, Section 1 of the West Virginia Code, and Title 143, Section 15.9 of the Division of Personnel Administrative Rules.

AGENCY'S RESPONSE

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

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the West Virginia Alcohol Beverage Control Commissioner. The audit covered the period July 1, 1994 through June 30, 1996.

GENERAL REVENUE ACCOUNTS

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

FUND

| <u>NUMBER</u> | <u>DESCRIPTION</u> |
|--------------------|------------------------------|
| 0490-522 | Transfer of Liquor Profits |
| 0490-551 | Private Liquor Store License |
| 0490-553 | Statutory Transfers |
| 0490-575 | Wine Gallonage Tax |
| 0491-515 | Beer Tax |
| 0491-516 | Beer Licenses |
| 0491-588 | Beer Comm/Revocations |

SPECIAL REVENUE ACCOUNTS

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

FUND
NUMBER

DESCRIPTION

| | |
|--------------------|--|
| 7350-099 | Unclassified |
| 7350-640 | Wine License Special Revenue Operating Account Fund |
| 7351-001 | Personal Services |
| 7351-004 | Annual Increment |
| 7351-010 | Employee Benefits |
| 7351-099 | Unclassified |
| 7351-427 | Refunds |
| 7351-564 | Prior Year Expiring Funds |
| 7351-640 | Cash Control - Wine License Fund |
| 7352-001 | Personal Services |
| 7352-010 | Employee Benefits |
| 7352-004 | Annual Increment |
| 7352-319 | Claims Against the State |
| 7352-425 | Transfer Liquor Profits and Taxes |
| 7352-426 | Transfers |
| 7352-427 | Refunds |
| 7352-430 | Imprest Cash Fund |
| 7352-435 | Purchase of Lottery Tickets |
| 7352-419 | Purchase of Supplies for Resale |
| 7352-099 | Unclassified |
| 7352-564 | Prior Years Expiring Funds |
| 7352-640 | General Administrative Fund |
| 7352-700 | General Administrative Fund |
| 7353-099 | Unclassified |
| 7353-640 | Personal Services Supp Account Fund |
| 7354-099 | Unclassified |
| 7354-640 | Computer Equipment Purchase Government Transfer Fund |
| 7355-099 | Unclassified |
| 7355-640 | Nonintoxicating Beer Enforcement Fund |

COMPLIANCE MATTERS

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

Adjusting Employees Time Sheets

We noted in our previous audit report the ABCC adjusts sick and annual leave balances. A policy statement prepared by the management of the ABCC entitled "Policy and Procedures for Overtime" effective April 1, 1995 states in part:

"When an employee works in excess of a normal work day in a week which includes a holiday or time taken for sick or annual leave, and the actual hours do not exceed forty, the sick and/or annual leave hours will be adjusted so that work hours and adjusted hours will equal forty."

A regular work week for ABCC employees is 37.5 hours. We were told by a Payroll Department employee that if an employee's actual work time is less than 37.5 hours in a regular work week, the employee must use annual and/or sick leave to make up the difference. However, the amount of leave the employee must use depends on the situation. The payroll department employee said if an employee works 36 hours in four days then the employee is required to use four hours leave in order to equal 40 hours. If the employee works 36 hours in five days, the employee is required

to use one and one-half hours leave in order to equal to 37.5 hours for the week.

We were unable to locate in the West Virginia Division of Personnel's Administrative Rule a provision that permits an agency to adjust an employee's legitimate hours taken for annual or sick leave. We were also unable to locate in the Rule a provision that permits an agency to require an employee to charge annual and/or sick leave at an amount that, when combined with hours worked, exceeds the hours an agency requires in a regular work week.

The policy of adjusting sick and/or annual leave usage requires the Payroll Department in certain situations to reduce, without the employee's permission, the hours the employee has legitimately and properly used for sick and annual leave. The leave is added back to the employee's balance when these adjustments are made. In accordance with the Division of Personnel's Administrative Rule, if an employee's annual leave balance exceeds the maximum carry over limit at the end of the calendar year, the employee loses the excess. Therefore, ABCC adjustments to an employee's leave may deprive the employee of the right to his leave.

We recommend all policies developed by the ABCC be in accordance with the West Virginia Division of Personnel's Administrative Rule.

AGENCY'S RESPONSE

The West Virginia Alcohol Beverage Control Commission will change the policy cited above as it relates to adjusting

vacation and sick leave usage charges so as to comply with the applicable law. The WVABCC will use its management discretion to ensure that excessive overtime is not incurred due to vacation and sick leave usage in the same pay period. The policy in question was instituted to eliminate the past practice of effectively selling annual leave. This practice can be controlled by adjusting the work week of the employee in accordance with applicable personnel policy and federal wage and hour laws.

Liquor Sales - Electronic Funds Transfers

Title 175, Series 1, Section 4.6, Subsection 2.3 of the West Virginia Legislative Regulations states:

"Any EFT which is not completed due to nonsufficient funds will preclude further processing of liquor orders to the licensee by ABCC until payment is finally received. In any calendar year where the Commissioner receives two (2) nonsufficient fund responses to a properly executed EFT from a licensee's bank account, further liquor orders of the licensee will only be shipped after the Commissioner's receipt of a certified check or money order for the full amount of the order at least twenty-four (24) hours prior to delivery."

Two retailers had nonsufficient funds in their EFT accounts at least twice in a calendar year. One retailer had six nonsufficient EFTs for \$89,292.46 in calendar year 1995 and two nonsufficient EFTs for \$36,175.23 in calendar year 1996. We also noted another retailer had six nonsufficient EFTs for \$7,053.48 in calendar year 1996. The State lost the use of these monies for about five days and approximately \$73.21 in interest.

We were told by ABCC staff that five working days elapse from the order date until the ABCC is informed by the Board of Investments (BOI) of a dishonored EFT. The ABCC then authorizes the BOI to transact the EFT again. It appears most nonsufficient EFTs were settled and the liquor payments were received on the second attempt at clearing the bank. However, we noted six occasions where the ABCC initiated charge-backs after EFTs were dishonored a second time.

We noted one retailer had a nonsufficient EFT for \$18,812.64 for an order placed on June 2, 1995. The liquor was delivered to the retailer on June 6, 1995. The ABCC was notified by the State Board of Investments on June 8, 1995 that payment for the liquor was dishonored due to nonsufficient funds in the retailer's EFT account. The ABCC authorized the Board of Investments to transact the EFT again. The EFT was returned again unpaid to the Board of Investments. However, we were told by Agency personnel that the Board of Investments failed to inform the ABCC the EFT was bad until November 16, 1995. After the ABCC was informed of the bad EFT, the ABCC permitted the retailer to settle the debt by making payments. The ABCC received payments of \$6,000.00 each on December 4, and 11, 1995. The final payment of \$6,812.64 was received on December 20, 1995. The retailer placed 29 orders for liquor from the date of the bad EFT until final settlement was made. Five of these orders were made subsequent to November 16, 1995; the date ABCC personnel stated it was informed of the bad EFT. The ABCC lost the use of \$6,000.00 for 179 days,

lost the use of another \$6,000.00 for 186 days, and lost the use of \$6,812.64 for 195 days. Additionally, the ABCC lost approximately \$388.78 in interest.

Title 175, Series 1, Section 4.6, Subsection 1 of the West Virginia Legislative Regulations states in part:

"The licensed retailer is required to pay for the alcoholic liquors prior to delivery of such liquors into the retail liquor store...."

When the Board of Investments notifies the ABCC of nonsufficient EFTs, the ABCC has already sent the liquor to the retailer. Therefore, the retailer has received the liquors without making prior payment as set out in Title 175.

We recommend the ABCC comply with Title 175, Series 1, Section 4.6, Subsections 1 and 2.3 of the West Virginia Legislative Regulations. We also recommend the ABCC develop procedures that will not permit retailers to receive liquor before payment is made.

AGENCY'S RESPONSE

The Board of Investment's informs the West Virginia ABCC five days after an EFT is deposited if the EFT is dishonored. In the instance mentioned above the Board of Investment's failed to inform the WVABCC of the dishonored EFT for a period of five months. The WVABCC account was credited as if the EFT had been honored; therefore, no action was taken to collect the dishonored EFT until the amount was debited out of our account. The ABCC was faced with a bad situation and made the best of the situation by collecting the debt in the most prudent manner. The retailer in

question when informed of the dishonored EFT told the agency that he did not have the funds to cover the dishonored EFT but could pay over time. The retailer proposed that he make payments over a six-week period and the agency insisted on a three-week payment schedule. The retailer in question is a Top Five Volume retailer and if the agency had refused to sell him liquor during the period the agency would have lost approximate thirty thousand dollars in profit from the wholesale of approx. \$120,000.00 worth of product.

The agency uses EFT's exclusively to collect payments for liquor sold at wholesale. EFT's are the most efficient way to collect the funds due the State of West Virginia. Over 6800 payments for liquor are received and processed in a year's time with very few problems with dishonored EFT's.

Dishonored Electronic Funds Transfer Service Charge

The ABCC began a policy in April 1996 of charging retailers \$45.00 for dishonored electronic funds transfers (EFT's). We noted four ABCC notices for insufficient or dishonored EFT's indicated the \$45.00 service charge should be collected from the retailers. However, on the date of this report the collections had not been made.

Chapter 61, Article 3, Section 39e of the West Virginia Code states in part:

"The payee or holder of a check, draft or order which has been dishonored because of insufficient funds or credit may send notice thereof to the drawer of the check, draft or order. The payee or holder of any such dishonored check may impose a service charge not to exceed fifteen dollars...."

We recommend the ABCC comply with Chapter 61, Article 3, Section 39e of the West Virginia Code when collecting service charges for dishonored EFT's.

AGENCY'S RESPONSE

The West Virginia ABCC has taken the position that two dishonored EFT's in a year's time is a violation of the rules and regulations that permit the Commissioner to charge the licensee with a violation and offer the licensee an offer in compromise in exchange for waving the right to an Administrative hearing on the alleged violation. The agency has determined that 45.00 is a reasonable amount to offer to settle the violation.

Unauthorized Changes to Travel Expense Forms

We noted 26 instances where it appears an ABCC employee responsible for reviewing Travel Expense Account Settlement Forms for mathematical accuracy increased the amounts employees claimed for meal allowances. The increases totaled \$205.00 for our sample during the audit period. The changes were not the result of mathematical errors made in the expense form. Rather, it appears the changes were made in order to increase the meal charges to the maximum allowable amount. Also, the changes were made subsequent to final approval of the expense forms by authorized personnel.

The State of West Virginia Governor's Travel Regulations in effect for the audit period states in part:

"Authority for the approval of all Travel is delegated exclusively to the Executive Officer of the Department, Board or Commission...."

We believe the changes made to expense forms after the forms have been approved by appropriate agency personnel violate the Governor's Travel Regulations.

The State of West Virginia Governor's Travel Regulations also states in part:

"Meal expense reimbursement is limited to actual expenses incurred for food, service, and any gratuity of 15% or less...."

We believe the unauthorized changes made to expense forms may result in the State compensating for meal expenses in excess of the actual expenses incurred.

We recommend the ABCC comply with the State of West Virginia Governor's Travel Regulations.

AGENCY'S RESPONSE

The West Virginia ABCC has changed its policy on travel expense forms by only approving actual expenses for meals and not the maximum per diem rate.

Time Sheets Not Supporting Travel Expenses

We noted 12 employees were paid a total of \$813.50 during the audit period for meal reimbursements even though the employees' time sheets indicated no lunch break was taken.

The State of West Virginia Governor's Travel Regulations states in part:

"These regulations govern authorization for and methods of travel and reimbursement for travel related expenses incurred by all travelers doing business on behalf of the State of West Virginia either as a state employee or as a representative of the State of West Virginia."

The State of West Virginia Governor's Travel Regulations further states in part:

"Meal expense reimbursement is limited to actual expenses incurred for food, service and any gratuity of 15% or less, not to exceed the Authorized Daily Rate (ADR) as issued by the Travel Management Office for the destination city...."

For each of the twelve employees, we believe either the employee was reimbursed for meal expenses that did not incur, or the employee was paid for time not worked. We were unable to determine the reason for the discrepancies between the employees' time sheets and their respective meal charges on Travel Expense Settlement Forms.

We recommend the ABCC comply with the State of West Virginia Governor's Travel Regulations.

AGENCY'S RESPONSE

The West Virginia ABCC has instituted a new internal audit procedure to match time sheets to expense sheets and disallow any meal expense that does not show corresponding meal breaks.

Meal Reimbursement for Single Day Travel

Chapter 11, Article 21, Section 72 of the West Virginia Code states in part:

"Every employee required to deduct and withhold tax under this article from the wages of an employee, or who would have been required so to deduct and withhold tax if the employee had claimed no more than one withholding exemption, shall furnish to each such employee in respect of the wages paid by such employer to such employee . . . a written statement as prescribed by the tax commissioner showing the amount of wages paid by the employer to the employee, the amount

deducted and withheld as tax, and other information as the tax commissioner shall prescribe."

In accordance with the provisions of the Governor's Travel Regulations, ABCC employees were reimbursed for meal expenses incurred during the audit period where the trips involved did not require overnight stay (single-day travel). According to our audit, we found \$874.00 for FY 1996 and \$231.00 for FY 1995 for a total of \$1,105.00 paid for meal reimbursements for single-day travel for the audit period. However, these amounts were not reported to these individuals on a Form W-2 (Wage and Tax Statement). Paragraphs (d) (2) and c (5) of Regulation §1.62 of the Internal Revenue Services' Income Tax Regulations states:

"(d) (2) *Other bona fide expenses.* If an arrangement provides advances, allowances, or reimbursements for business expenses described in paragraph (d) (1) of this section (i.e., deductible employee business expenses) and other bona fide expenses related to the employer's business (travel that is not away from home) that are not deductible under Part VI (section 161 and the following), subchapter B, chapter 1 of the Code, the payor is treated as maintaining two arrangements. The portion of the arrangement that provides payments for the deductible employee business expenses is treated as one arrangement that satisfies this paragraph (d). The portion of the arrangement that provides payments for the nondeductible employee expenses is treated as a second arrangement that does not satisfy this paragraph (d) and all amounts paid under this second arrangement will be treated as paid under a nonaccountable plan. See paragraphs (c) (5) and (h) of this section...."

"(c) (5) *Treatment of payments under nonaccountable plans.* Amounts treated as paid under a nonaccountable plan are included in the employee's gross income, must be reported

as wages or other compensation on the employee's

Form W-2, and are subject to withholding and payment of employment taxes (FICA, FUTA, RRTA, RURT, and income tax . . . Expenses attributable to amounts included in the employee's gross income may be deducted, provided the employee can substantiate the full amount of his or her expenses (i.e., the amount of the expenses, if any, the reimbursement for which is treated as paid under an accountable plan as well as those for which the employee is claiming the deduction) in accordance with §1.274-5T and 1.274(d)-1 or §1.162-17, but only as a miscellaneous itemized deduction subject to the limitations applicable to such expenses...." (Emphasis added)

Furthermore, Chapter 11, Article 21, Section 12 of the West Virginia Code, as amended, states in part:

"(a) *General* - The West Virginia adjusted gross income of a resident individual means his federal adjusted gross income as defined in the laws of the United States for the taxable year with the modifications specified in this section"

Therefore, any reimbursements received for nondeductible travel expenses are considered as taxable income under both Federal and West Virginia tax law and should be reported as compensation paid to employees. We were told by a Payroll Department employee that the department was unaware meal reimbursement for single-day travel was taxable and that amounts reimbursed need to be reported to employees on Form W-2.

We recommend the ABCC comply with Chapter 11, Article 21, Sections 12 and 72 of the West Virginia Code, as amended.

AGENCY'S RESPONSE

The West Virginia ABCC will comply with the applicable Travel Management Regulations and IRS Regulations. If it is determined that same day travel outside of the Employee work area constitutes a taxable benefit then the WVABCC will discontinue payment for those meal reimbursements. However, in checking with the Office of Travel Management Personnel no instance of providing an employee with approved meal reimbursement could be cited that required being treated as a taxable benefit.

Sick Leave Buy-Back

Chapter 23, Article 4, Section 1 of the West Virginia Code states in part:

"Subject to the provisions and limitations elsewhere in this chapter set forth, the commissioner shall disburse the workers' compensation fund to the employees of employers subject to this chapter which employees have received personal injuries in the course of and resulting from their covered employment . . . such employees may collect sick leave benefits until receiving temporary total disability benefits. The division of personnel shall promulgate rules pursuant to chapter twenty-nine-a [§ 29A-1-1 et seq.] of this code relating to use of sick leave benefits by employees receiving personal injuries in the course of and resulting from covered employment...."

Title 143, Section 15.9 of the Division of Personnel Administrative Rules became effective June 1, 1995. Section 15.9 states in part:

"(a) In the event an employee is injured in the course of and resulting from covered employment, the employee may elect to receive either temporary total disability benefits from the Worker's Compensation Fund or sick

leave benefits, but not both. Employees may collect sick leave benefits and, upon exhaustion of sick leave benefits, annual leave benefits until receiving temporary total disability benefits. If an employee has elected to receive temporary total disability benefits, upon receipt of the initial temporary total disability payment the employee shall pay or assign to his/her employer the net value of the sick and/or annual leave paid...."

During our test of sick leave, we noted the sick leave buy-back for two employees was incorrectly calculated. One employee was paid sick leave benefits February 8, 1996 through February 21, 1996, and subsequently was paid temporary total disability for the period. It appears the ABCC incorrectly calculated the number of days of leave required for the buy-back.

The ABCC required the employee to buy back 11 days. However, we believe the employee should have been charged for nine and one-half days. We were told by ABCC personnel that one and one-half days were inadvertently included in their calculation of the buy-back. This caused the employee to be overcharged \$89.14 for the buy-back.

It also appears incorrect daily rates were used to calculate the buy-back. The buy-back period included parts of two ABCC pay periods. For these pay periods the ABCC calculated daily rates of \$57.77 and \$57.84 in order to determine the net value of the sick leave paid to the employee during the buy-back period. We believe the daily rates for the period were \$59.59 and \$59.34, respectively. Because the ABCC used incorrect daily rates, the employee was undercharged \$18.29. The net effect of both errors

resulted in the employee being over charged a total of \$70.85 for leave buy-back.

We noted a second employee was under charged \$14.92 for the buy-back of sick leave benefits. The employee received sick leave pay for the period August 31, 1995 through January 17, 1996 and later was paid temporary total disability for the period. It appears the daily rate for the period ending January 31, 1996 was incorrectly calculated by the ABCC. The employee received net pay for the period of \$106.74 for one and one-half leave days. However, the ABCC only charged the employee \$91.82 for the buy-back. We believe the employee was undercharged \$14.92 for the buy-back of the sick leave benefits.

We recommend the ABCC comply with Chapter 23, Article 4, Section 1 of the West Virginia Code, and Title 143, Section 15.9 of the Division of Personnel Administrative Rules. We also recommend the ABCC reimburse the first employee \$70.85 for the overcharge and collect \$14.92 from the second employee for the undercharge.

AGENCY'S RESPONSE

The WVABCC made a calculation error in making charging the employees for sick leave buy-back. The proper adjustments will be made to the employee's balances.

Leave Usage

Each full-time employee is entitled to annual leave with pay and benefits. Annual leave accrual for part-time employees shall be computed in proportion to hours worked during the pay period based on the proper length of a service category. Section

15.03 of the Division of Personnel's Administrative Rules allows employees occupying full-time positions to accrue annual leave on the following basis:

Less than 5 years service: 1.25 days/month,
maximum carryover - 30 days;

5 but less than 10 years' service: 1.50
days/month, maximum carryover - 30 days;

10 but less than 15 years' service:
1.75 days/month, maximum carryover - 35 days;

15 or more years' service: 2.00 days/month,
maximum carryover - 40 days.

Accrued annual leave shall be granted at such times as will not materially affect the Agency's efficient operation. Generally, all annual leave must be approved in advance. Annual leave may not be granted in advance of the employee's accrual of the leave.

Annual leave shall be used in circumstances when sick leave or the sick leave allowance for an employee's immediate family is exhausted. The same rules regarding the necessity for a physician's statement when sick leave is used apply when annual leave is used under these circumstances. An employee who separates from employment for any reason shall be paid for all accrued and unused annual leave.

According to the rules, accrued sick leave shall be granted for incapacitating illness or injury of the employee, death in the immediate family of the employee, exposure to a contagious disease, incapacity due to pregnancy, routine medical appointments for the employee, and illness and/or routine medical and dental

appointments of the employee's immediate family (not to exceed 40 hours per calendar year). When an employee retires, all accrued sick leave may be applied toward extended insurance coverage or to acquire additional credited service in the retirement system.

A Physician's statement is required when an employee is released to work on limited duty. It must state the reasons for and the dates of the imposed limitations. An employee shall furnish a written statement from the attending physician for all consecutive days of sick leave granted beyond three workdays. For extended periods of sick leave, a physician's statement must be submitted every 30 days. When an employee's absence is caused by exposure to a contagious disease, a physician must state in writing that the employee's presence on duty may jeopardize the health of others.

The results of the above leave policies for the period of July 1, 1994 through June 30, 1996 are shown below:

| <u>ANNUAL</u> | <u>TOTAL SICK</u> | <u>TOTAL</u> | <u>ANNUAL</u> | <u>YEARLY AVERAGE SICK</u> | <u>TOTAL</u> |
|------------------|-------------------|------------------|------------------|----------------------------|------------------|
| <u>\$345,388</u> | <u>\$219,259</u> | <u>\$564,647</u> | <u>\$172,694</u> | <u>\$109,629</u> | <u>\$282,323</u> |

Our examination of sick and annual leave usage included all ABCC employees (95) that accrued leave for the period July 1, 1994 through June 30, 1996. The cost of all leave for the ABCC was \$564,647 for the period of our examination. The average yearly usage for the leave was 27.69 days. The ABCC had a 1.14 full time equivalent employee for all leave taken during the period. This

means the ABCC needed 95 employees to complete the work expected of 83 employees.

The ABCC employees used 3,134 days of annual leave for the period. Annual leave cost \$345,388 or an average of \$172,694 per year. The average usage ranged from 11.39 days for the employees with less than five years of service, to 20.21 days for employees with at least ten but less than fifteen years of service. Costs are based on average salary during the benefit period plus 30% of the average salary for the related benefits. The ABCC had a full time equivalent employee of 1.08 for all annual leave taken.

The employees used a total of 2,129 sick days for the period. The ABCC had a 1.05 full time equivalent employee for all sick leave used. The cost of all sick leave was \$219,259 or an average of \$109,629 per year for the period examined. The total sick leave included 900 days of sick leave which had verification (physicians' statements).

From our review of ABCC records, it appears the employees with the lower salaries took less leave than higher salaried employees. The average salary for the audit period of all employees who accrue sick and annual leave at the ABCC is \$21,786. The employees with salaries below the average took an average of 11.84 days of sick leave per year. The employees with salaries above \$21,786 appeared to have taken an average of 12.76 days of sick leave per year.

It appears employees with fifteen years or more of service have the highest sick leave usage rate. These employees

took a total of 1,032 days of sick leave, or an average of 14.8 days per year during the audit period. It appears employees with five to ten years of service take the least amount of sick leave. These employees took 427 days of sick leave during the audit period, or an average of 10.2 days per year.

We performed a detailed analysis on employee sick leave usage which was verified based on the employee's word. We will refer to this leave as "integrity sick leave."

Our analysis revealed the following information for integrity sick leave days used.

| <u>EMPLOYEE SERVICE YEARS</u> | <u><5</u> | <u>5<10</u> | <u>10<15</u> | <u>15+</u> | <u>Total</u> |
|-------------------------------|--------------|----------------|-----------------|------------|--------------|
| Number of Employees | 24 | 22 | 13 | 36 | 95 |
| Integrity Days | 179 | 284 | 179 | 587 | 1,229 |
| Average Integrity | | | | | |
| Leave Days Per Year | 4.58 | 6.84 | 7.30 | 8.42 | 7.01 |
| Total Cost of Leave | \$19,624 | \$29,772 | \$18,674 | \$59,615 | \$127,685 |
| Full Time Equivalent | 1.03 | 1.03 | 1.03 | 1.04 | 1.03 |
| Average Salary | \$22,262 | \$21,841 | \$23,261 | \$20,704 | \$21,786 |
| Employees Needed | 23 | 21 | 13 | 35 | 92 |

We noted the ABCC's employees used 1,229 days of sick leave that was verified by the employee's integrity for the period July 1, 1994 through June 30, 1996. Although no violations of the Division of Personnel's Rules were noted, this amount of employee integrity leave may represent an extravagant use of sick leave. The days of sick leave used, which was based on the integrity of the employee, represented 58% of all sick leave while 42% of the sick

leave taken was verified through some other source, namely physicians' statements. The ABCC had a full-time equivalent employee of 1.03 for sick leave used which was based on the integrity of the employee. This means the ABCC needed 95 employees to perform the duties of 92 employees.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

As 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 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, 1994 to June 30, 1996, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed conditions that we believe to be weaknesses.

STRENGTHEN INTERNAL CONTROLS OVER COMPLIANCE

As indicated by the items noted in the "Compliance Matters" section of this report, we believe the ABCC should strengthen internal controls in the area of compliance with the West Virginia Code and various rules and regulations which control the ABCC's operations. We believe weaknesses in the internal control structure exist in the following areas as evidenced by the compliance findings: 1. Travel Expense Reimbursements; 2. Liquor Sales to Retailers; and, 3. Buy-Back procedures for sick leave.

We recommend the ABCC strengthen or establish the necessary internal controls to better ensure compliance with the West Virginia Code and other administrative rules and regulations which govern the operations of the ABCC.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of cash receipts, disbursements and changes in cash balance of the West Virginia Alcohol Beverage Control Commissioner for the years ended June 30, 1996 and June 30, 1995. The financial statement is the responsibility of the management of the West Virginia Alcohol Beverage Control Commissioner. Our responsibility is to express an opinion on the financial statement based on our audit.

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

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenses paid of the West Virginia Alcohol Beverage Control Commissioner for the years ended June 30, 1996 and June 30, 1995 on the basis of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Sincerely yours,


Theodora L. Shanklin, CPA, Director
Legislative Post Audit Division

August 19, 1996

Auditors: Nick Arvon, Supervisor
Ethelbert Scott, Jr., Auditor-in-Charge
Stanley D. Lynch, CPA-Apprentice
Rhonda L. Combs
Noah E. Cochran

**West Virginia Alcohol Beverage Control Commissioner
Statement of Cash Receipts, Disbursements
And Changes in Cash Balance**

| | Year Ended June 30, | |
|---|----------------------------|-----------------------|
| | <u>1996</u> | <u>1995</u> |
| Cash Receipts: | | |
| Liquor Sales to Retailers | \$47,029,361.77 | \$46,770,427.84 |
| Less: Liquor Payments to Distillers | <u>35,329,288.90</u> | <u>35,004,897.69</u> |
| | 11,700,072.87 | 11,765,530.15 |
| | | |
| Wine Gallonage Tax | 6,764,081.79 | 6,915,029.24 |
| Beer Tax | 1,063,221.04 | 969,168.62 |
| Beer Licenses | 857,768.18 | 895,060.55 |
| Penalties | 218,859.50 | 218,163.00 |
| Wine Licenses and Labels | 103,960.00 | 118,340.00 |
| Miscellaneous | <u>2,650.00</u> | <u>1,975.00</u> |
| | <u>9,010,540.51</u> | <u>9,117,736.41</u> |
| | 20,710,613.38 | 20,883,266.56 |
| | | |
| Disbursements: | | |
| Personal Services | 2,212,415.61 | 2,210,424.08 |
| Annual Increment | 44,650.53 | 39,451.28 |
| Employee Benefits | 1,005,079.19 | 975,637.22 |
| Current Expenses | 1,561,449.21 | 1,726,757.62 |
| Repairs and Alterations | 26,499.82 | 24,507.12 |
| Equipment | 30,398.98 | 60,139.84 |
| Buildings | 2,247,391.66 | 0.00 |
| Miscellaneous | <u>7,755.20</u> | <u>2,949.16</u> |
| | <u>7,135,640.20</u> | <u>5,039,866.32</u> |
| | | |
| Cash Receipts over Disbursements | 13,574,973.18 | 15,843,400.24 |
| | | |
| Transfers Out: | | |
| State General Revenue Fund | (15,693,674.14) | (16,191,125.41) |
| West Virginia School for the Deaf and Blind | 0.00 | (100,000.00) |
| Department of Military Affairs and Public Safety - Office of the Secretary | 0.00 | (400,000.00) |
| | | |
| Beginning Balance | <u>7,084,126.22</u> | <u>7,931,851.39</u> |
| | | |
| Ending Balance | <u>\$4,965,425.26</u> | <u>\$7,084,126.22</u> |

See Notes to Financial Statement

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policies

Accounting Method: The cash basis of accounting is followed. Therefore, certain 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.

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employee contributions are 4½% of their compensation and employees are vested under certain circumstances. The West Virginia Alcohol Beverage Control Commissioner matches contributions at 9½% of the compensation on which the employee made contributions. The West Virginia Alcohol Beverage Control Commissioner's pension expenditures were as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|---------------------|
| <u>1996</u> | <u>1995</u> |
| <u>\$227,125.99</u> | <u>\$193,120.40</u> |

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

GENERAL REVENUE

| | <u>Year Ended June 30,</u> | |
|-------------------------------------|----------------------------|---------------------------|
| | <u>1996</u> | <u>1995</u> |
| <u>Transfer of Liquor Profits -</u> | | |
| <u>Fund 0490-553</u> | | |
| Beginning Balance: | | |
| State Treasury | \$0.00 | \$0.00 |
| Cash Receipts: | | |
| Liquor Sales to Retailers | 7,000,000.00 | 7,300,000.00 |
| Penalties | 8,603.13 | 111,867.00 |
| TOTAL CASH TO ACCOUNT FOR | <u>\$7,008,603.13</u> | <u>\$7,411,867.00</u> |
| Disbursements: | | |
| Transfers to General Revenue | | |
| Fund of West Virginia | \$7,008,603.13 | \$7,411,867.00 |
| Ending Balance: | | |
| State Treasury | 0.00 | 0.00 |
| TOTAL CASH ACCOUNTED FOR | <u>\$7,008,603.13</u> | <u>\$7,411,867.00</u> |

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

GENERAL REVENUE

| | <u>Year Ended June 30,</u> | |
|------------------------------------|----------------------------|---------------------|
| | <u>1996</u> | <u>1995</u> |
| <u>Wine Gallonage Tax -</u> | | |
| <u>Fund 0490-575</u> | | |
| Beginning Balance: | | |
| State Treasury | \$0.00 | \$0.00 |
| Cash Receipts: | | |
| Wine Gallonage Tax | <u>1,063,221.04</u> | <u>969,168.62</u> |
| TOTAL CASH TO ACCOUNT FOR | <u>\$1,063,221.04</u> | <u>\$969,168.62</u> |
| Disbursements: | | |
| Transfers to General Revenue | | |
| Fund of West Virginia | \$1,063,221.04 | \$969,168.62 |
| Ending Balance: | | |
| State Treasury | <u>0.00</u> | <u>0.00</u> |
| TOTAL CASH ACCOUNTED FOR | <u>\$1,063,221.04</u> | <u>\$969,168.62</u> |

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

| | <u>Year Ended June 30,</u> | |
|---|----------------------------|-----------------------|
| | <u>1996</u> | <u>1995</u> |
| <u>Beer Tax - Fund 0491-515</u> | | |
| Beginning Balance: | | |
| State Treasury | \$0.00 | \$0.00 |
| Cash Receipts: | | |
| Beer Tax | <u>6,764,081.79</u> | <u>6,951,029.24</u> |
| TOTAL CASH TO ACCOUNT FOR | <u>\$6,764,081.79</u> | <u>\$6,951,029.24</u> |
| Disbursements: | | |
| Transfers to General Revenue Fund of West Virginia | \$6,764,081.79 | \$6,951,029.24 |
| Ending Balance: | | |
| State Treasury | <u>0.00</u> | <u>0.00</u> |
| TOTAL CASH ACCOUNTED FOR | <u>\$6,764,081.79</u> | <u>\$6,951,029.24</u> |

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

GENERAL REVENUE

| | <u>Year Ended June 30,</u> | |
|---|----------------------------|---------------------|
| | <u>1996</u> | <u>1995</u> |
| <u>Beer Licenses - Fund 0491-516</u> | | |
| Beginning Balance: | | |
| State Treasury | \$0.00 | \$0.00 |
| Cash Receipts: | | |
| Beer Licenses | <u>857,768.18</u> | <u>895,060.55</u> |
| TOTAL CASH TO ACCOUNT FOR | <u>\$857,768.18</u> | <u>\$895,060.55</u> |
| Disbursements: | | |
| Transfers to General Revenue Fund of West Virginia | \$857,768.18 | \$895,060.55 |
| Ending Balance: | | |
| State Treasury | <u>0.00</u> | <u>0.00</u> |
| TOTAL CASH ACCOUNTED FOR | <u>\$857,768.18</u> | <u>\$895,060.55</u> |

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

SPECIAL REVENUE

| | <u>Year Ended June 30,</u> | |
|---|----------------------------|---------------------|
| | <u>1996</u> | <u>1995</u> |
| | | |
| <u>Wine License Special Fund - Personal Services -</u> | | |
| <u>Fund 7351-001</u> | | |
| Appropriations | \$198,908.00 | \$198,908.00 |
| Expenditures | | |
| Personal Services | 111,178.86 | 59,977.45 |
| Annual Increment | (936.00) | (828.00) |
| | <u>110,242.86</u> | <u>59,149.45</u> |
| | 88,665.14 | 139,758.55 |
| Transmittals Paid After June 30 | 0.00 | 0.00 |
| Balance | <u>\$88,665.14</u> | <u>\$139,758.55</u> |
| | | |
| <u>Wine License Special Fund - Annual</u> | | |
| <u>Increment - Fund 7351-004</u> | | |
| Appropriations | \$936.00 | \$3,240.00 |
| Expenditures | <u>936.00</u> | <u>828.00</u> |
| | 0.00 | 2,412.00 |
| Transmittals Paid After June 30 | 0.00 | 0.00 |
| Balance | <u>\$0.00</u> | <u>\$2,412.00</u> |

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

SPECIAL REVENUE

| | <u>Year Ended June 30,</u> | |
|--|----------------------------|---------------------|
| | <u>1996</u> | <u>1995</u> |
| <u>Wine License Special Fund-</u> | | |
| <u>Benefits - Fund 7351-010</u> | | |
| Appropriations | \$42,472.00 | \$59,074.00 |
| Expenditures | <u>37,365.12</u> | <u>19,190.04</u> |
| | 5,106.88 | 39,883.96 |
| Transmittals Paid After June 30 | <u>3,117.30</u> | <u>1,684.84</u> |
| Balance | <u>\$8,224.18</u> | <u>\$41,568.80</u> |
| <u>Wine License Special Fund - Unclassified</u> | | |
| <u>Fund 7351-099</u> | | |
| Appropriations | \$188,906.00 | \$170,000.00 |
| Expenditures: | | |
| Current Expenses | 5,637.53 | 229.45 |
| Equipment | <u>2,745.99</u> | <u>365.39</u> |
| | <u>8,383.52</u> | <u>594.84</u> |
| | 180,522.48 | 169,405.16 |
| Transmittals Paid After June 30 | <u>222.40</u> | <u>85.00</u> |
| Balance | <u>\$180,744.88</u> | <u>\$169,490.16</u> |

**WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CASH CONTROL - WINE LICENSE SPECIAL FUND
FUND 7351-640**

| | <u>Year Ended June 30.</u> | |
|------------------------------------|----------------------------|----------------------------|
| | <u>1996</u> | <u>1995</u> |
| Beginning Balance: | | |
| State Treasury | \$722,668.63 | \$583,026.71 |
| Cash Receipts: | | |
| Wine Licenses and Labels | <u>218,859.50</u> | <u>218,163.00</u> |
| TOTAL CASH TO ACCOUNT FOR | <u>\$941,528.13</u> | <u>\$801,189.71</u> |
| Disbursements: | | |
| Personal Services | \$110,242.86 | \$59,149.45 |
| Annual Increment | 936.00 | 828.00 |
| Employee Benefits | 37,365.12 | 19,190.04 |
| Current Expenses | 5,637.53 | 229.45 |
| Equipment | <u>2,745.99</u> | <u>365.39</u> |
| | 156,927.50 | 79,762.33 |
| Add Transmittals Paid July 1-31 | | |
| Beginning; and (Less) Transmittals | | |
| Paid July 1-31 Ending: | | |
| Employee Benefits | 1,684.84 | 528.59 |
| (Employee Benefits) | (3,117.30) | (1,684.84) |
| Current Expenses | 0.00 | 0.00 |
| (Current Expenses) | (222.40) | 0.00 |
| Equipment | 85.00 | 0.00 |
| (Equipment) | <u>0.00</u> | <u>(85.00)</u> |
| | <u>(1,569.86)</u> | <u>(1,241.25)</u> |
| | 155,357.64 | 78,521.08 |
| Ending Balance: | | |
| State Treasury | <u>786,170.49</u> | <u>722,668.63</u> |
| TOTAL CASH ACCOUNTED FOR | <u>\$941,528.13</u> | <u>\$801,189.71</u> |

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

SPECIAL REVENUE

| | <u>Year Ended June 30,</u> | |
|---|----------------------------|---------------------|
| | <u>1996</u> | <u>1995</u> |
| | | |
| <u>General Administrative Fund-</u> | | |
| <u>Personal Services - Fund 7352-001</u> | | |
| Appropriations | \$2,427,656.00 | \$2,427,656.00 |
| Expenditures: | | |
| Personal Services | 2,139,158.04 | 2,153,732.88 |
| Annual Increment | (43,714.53) | (38,623.28) |
| Employee Benefits | <u>6,729.24</u> | <u>39,246.97</u> |
| | 2,102,172.75 | 2,154,356.57 |
| | 325,483.25 | 273,299.43 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$325,483.25</u> | <u>\$273,299.43</u> |
| | | |
| <u>General Administrative Fund-</u> | | |
| <u>Annual Increment - Fund 7352-004</u> | | |
| Appropriations | \$50,688.00 | \$50,688.00 |
| Expenditures | <u>43,714.53</u> | <u>38,623.28</u> |
| | 6,973.47 | 12,064.72 |
| Transmittals Paid After June 30 | <u>0.00</u> | <u>0.00</u> |
| Balance | <u>\$6,973.47</u> | <u>\$12,064.72</u> |

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENTS OF APPROPRIATIONS AND EXPENDITURES

SPECIAL REVENUE

| | <u>Year Ended June 30,</u> | |
|---|----------------------------|---------------------|
| | <u>1996</u> | <u>1995</u> |
| | | |
| <u>General Administrative Fund-</u> | | |
| <u>Employee Benefits - Fund 7352-010</u> | | |
| Appropriations | \$1,301,118.00 | \$1,353,006.00 |
| Expenditures | 957,731.72 | 986,937.59 |
| | 343,386.28 | 366,068.41 |
| Transmittals Paid After June 30: | 59,105.50 | 70,520.31 |
| Balance | <u>\$402,491.78</u> | <u>\$436,588.72</u> |
| | | |
| <u>General Administrative Fund-</u> | | |
| <u>Unclassified - Fund 7352-099</u> | | |
| Appropriations | \$4,432,350.00 | \$4,422,970.00 |
| Expenditures: | | |
| Current Expenses | 1,481,352.86 | 1,636,656.97 |
| Repairs and Alterations | 28,016.37 | 24,373.11 |
| Equipment | 31,575.17 | 50,028.33 |
| Other Extraordinary Disbursements: | 2,255,146.86 | 2,949.16 |
| | <u>3,796,091.26</u> | <u>1,714,007.62</u> |
| | 636,258.74 | 2,708,962.38 |
| Transmittals Paid After June 30 | <u>130,872.66</u> | <u>108,313.37</u> |

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

SPECIAL REVENUE

| | <u>Year Ended June 30.</u> | |
|---|----------------------------|----------------------|
| | <u>1996</u> | <u>1995</u> |
| <u>General Administrative Fund - Purchase of Supplies For Resale - Fund 7352-419</u> | | |
| Cash Receipts | \$35,329,288.90 | \$35,004,897.69 |
| Disbursements | <u>\$35,329,288.90</u> | <u>35,004,897.69</u> |
| Balance | <u>\$0.00</u> | <u>\$0.00</u> |
| <u>General Administrative Fund- Transfer of Liquor Profits and Taxes - Fund 7352-425</u> | | |
| Cash Receipts | \$7,000,000.00 | \$7,300,000.00 |
| Disbursements | <u>7,000,000.00</u> | <u>7,300,000.00</u> |
| Balance | <u>\$0.00</u> | <u>\$0.00</u> |
| <u>General Administrative Fund- Transfers - Fund 7352-426</u> | | |
| Cash Receipts | \$0.00 | \$500,000.00 |
| Transfers Out: | | |
| West Virginia School for the Deaf and Blind (H.B. 2654) | 0.00 | 100,000.00 |
| Department of Military Affairs and Public Safety - Office of the Secretary (H.B. 2795) | <u>0.00</u> | <u>400,000.00</u> |
| Balance | <u>\$0.00</u> | <u>\$0.00</u> |

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CASH CONTROL - FUND 7352-640

| | <u>Year Ended June 30.</u> | |
|--|----------------------------|----------------------------|
| | <u>1996</u> | <u>1995</u> |
| Beginning Balance: | | |
| State Treasury | \$6,327,154.46 | \$7,207,130.80 |
| Cash Receipts: | | |
| Liquor Sales | <u>47,029,361.77</u> | <u>46,770,427.84</u> |
| TOTAL CASH TO ACCOUNT FOR | <u>\$53,356,516.23</u> | <u>\$53,977,558.64</u> |
| Disbursements: | | |
| Personal Services | \$2,102,172.75 | \$2,154,356.57 |
| Annual Increment | 43,714.53 | 38,623.28 |
| Employee Benefits | 957,731.72 | 986,937.59 |
| Current Expenses | 1,481,352.86 | 1,636,656.97 |
| Repairs and Alterations | 28,016.37 | 24,373.11 |
| Equipment | 31,575.17 | 50,028.38 |
| Purchase of Liquor | 35,329,288.90 | 35,004,897.69 |
| Transfers to State General Revenue Fund | 7,000,000.00 | 7,300,000.00 |
| Transfer to School for the Deaf and Blind | 0.00 | 100,000.00 |
| Transfer to Secretary of Public Safety | 0.00 | 400,000.00 |
| Claims Against the State | 7,755.20 | 2,949.16 |
| Purchase of Buildings | <u>2,247,391.66</u> | <u>0.00</u> |
| | 49,228,999.16 | 47,698,822.75 |
| Add Transmittals Paid July 1-31 Beginning; and (Less) Transmittals Paid July 1-31 Ending: | | |
| Personal Services | 0.00 | (3,081.94) |
| (Personal Services) | 0.00 | 0.00 |
| Employee Benefits | 70,520.31 | 41,186.15 |
| (Employee Benefits) | (59,105.50) | (70,520.31) |
| Current Expenses | 98,002.11 | 88,619.69 |
| (Current Expenses) | (115,262.27) | (98,002.11) |
| Repairs and Alterations | 1,817.82 | 1,359.39 |
| (Repairs and Alterations) | (3,334.37) | (1,817.82) |
| Equipment | 8,493.44 | 2,331.82 |
| (Equipment) | <u>(12,276.02)</u> | <u>(8,493.44)</u> |
| | <u>(11,144.48)</u> | <u>(48,418.57)</u> |
| | 49,217,854.68 | 47,650,404.18 |
| Ending Balance: | | |
| State Treasury | <u>4,138,661.55</u> | <u>6,327,154.46</u> |
| TOTAL CASH ACCOUNTED FOR | <u>\$53,356,516.23</u> | <u>\$53,977,558.64</u> |

WEST VIRGINIA ALCOHOL BEVERAGE CONTROL COMMISSIONER

STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

Year Ended June 30,
1996 1995

Wine License Special Fund -
Fund 7350-640

| | | |
|---|-------------------|-------------------|
| Cash Receipts: | | |
| Other Collections, Fees, Licenses and Income | \$2,650.00 | \$1,975.00 |
| Disbursements: | 0.00 | 0.00 |
| Cash Receipts Over Disbursements | 2,650.00 | 1,975.00 |
| Beginning Balance | 5,700.00 | 3,725.00 |
| Ending Balance | <u>\$8,350.00</u> | <u>\$5,700.00</u> |

Nonintoxicating Beer Enforcement Fund
Fund 7355-099

| | | |
|---|--------------------|--------------------|
| Cash Receipts: | | |
| Other Collections, Fees, Lecenses and Income | \$103,960.00 | \$118,340.00 |
| Disbursements: | | |
| Current Expenses | 91,941.38 | 99,253.62 |
| Repairs and alterations | 0.00 | 592.44 |
| Equipment | (224.60) | 15,992.69 |
| Transfers | <u>91,716.78</u> | <u>115,838.75</u> |
| Cash Receipts Over Disbursements | 12,243.22 | 2,501.25 |
| Transfers Out | (8,603.13) | (111,867.00) |
| Beginning Balance | 28,603.13 | 137,968.88 |
| Ending Balance | <u>\$32,243.22</u> | <u>\$28,603.13</u> |

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

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

Given under my hand this 5th day of January,
1997.


Thedford L. Shanklin, CPA, 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 Department of Tax and Revenue; the West Virginia Alcohol Beverage Control Commissioner; Governor; Attorney General; and State Auditor.