

**STATE BOARD OF BAR EXAMINERS
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE TWO-YEAR PERIOD ENDED
JUNE 30, 2000**



AUDIT SUMMARY

Our audit of the State Board of Bar Examiners for the two-year period ended June 30, 2000, found:

- no internal control matters that we considered material weaknesses;
- no issues of noncompliance with applicable laws and regulations tested that we are required to report; and
- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System.

December 1, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

AGENCY BACKGROUND

The State Board of Bar Examiners is part of the judicial branch of government, and administers the bar examination twice each year. The Board evaluates the character and fitness of applicants, and certifies individuals as eligible to practice law in Virginia. The Board also administers the Law Reader Program that allows approved individuals to study law under an experienced general practice attorney to become eligible to sit for the examination.

The Board collects application fees for the examination and character and fitness fees from each examinee, and deposits all collections in the General Fund of the Commonwealth. In turn, the Board receives an annual appropriation from the General Fund for its activities. The Board employs four full-time staff, and two hourly staff, who work as needed.

In fiscal year 1999, the Board began reviewing qualifications of persons applying for admission to the Virginia bar under the reciprocity provisions. Under Code Section 54.1-3931, the Board certifies, to the Supreme Court of Virginia, those applicants who have satisfied the reciprocity provisions and the Supreme Court's Rules for admission on motion. The Board's Character and Fitness Committee also conducts an appropriate character and fitness background investigation on these applicants.

Schedule of Revenue and Expenses For the years ended June 30, 2000 and 1999

	Year ended June 30,	
	2000	1999
Revenues:		
Application fees	\$ 574,925	\$ 558,000
Character and fitness fees	445,900	428,280
Other fees	18,955	13,288
Total revenue	<u>\$ 1,039,780</u>	<u>\$ 999,568</u>

Expenses:

Salary and benefits	\$ 365,389	\$ 308,600
Examiner per diems	154,087	148,823
Management services	271,342	257,692
Travel	23,360	25,820
Other contractual services	92,041	66,190
Office space rental	32,362	33,678
Equipment	1,922	23,503
Office supplies and continuous charges	15,435	9,691
Total expenses	<u>\$ 955,938</u>	<u>\$ 873,997</u>

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **State Board of Bar Examiners** for the two-year period ended June 30, 2000. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to review the Board's accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, adequacy of the Board's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Board's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over revenues and cash receipts and expenses, including payroll.

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Board's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Board's management is responsible for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting

the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Audit Conclusions

We found that the Board properly recorded and reported its financial transactions, in all material respects, in the Commonwealth Accounting and Reporting System. The Board records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we considered material weaknesses. Our consideration of internal control would not necessarily disclose all matters in the internal control that may be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations found no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JHS:aom
aom:30

STATE BOARD OF BAR EXAMINERS
Richmond, Virginia

Robert E. Glenn, President

Grady K. Carlson

George Keith Martin

Anita O. Poston

Stephen M. Quillen

W. Scott Street, Secretary and Treasurer

Mary K. Altizer, Fiscal Manager