

COMMISSION FOR THE ARTS

**REPORT ON AUDIT
FOR THE PERIOD
JULY 1, 2009 THROUGH JUNE 30, 2012**



AUDIT SUMMARY

Our audit of the Virginia Commission for the Arts for the three-year period ended June 30, 2012, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- one instance of noncompliance with applicable laws and regulations or other matters that is required to be reported.

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COMPLIANCE FINDING AND RECOMMENDATION

Follow Procurement Guidelines for Contract Services

The Virginia Commission for the Arts did not follow procurement requirements when awarding a contract for consulting services. During fiscal year 2012, the Commission awarded a contract and paid \$19,000 to a vendor for consulting services without going through a competitive negotiation process.

The Virginia Public Procurement Act requires that all professional service contracts be awarded through competitive negotiation. Due to the lack of a competitive negotiation process, the Commission was not able to determine if the services it is receiving are the most efficient and cost effective. Further, failure to seek sufficient competition can cause unnecessary protests from vendors excluded from the process. We recommend that the Commission's staff familiarize themselves with procurement requirements to ensure future compliance with procurement laws and procedures.

AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

The Virginia Commission for the Arts (Commission) provides financial assistance for arts activities and advisory services to artists, arts organizations, and others interested in the arts. The Governor appoints the Director and thirteen commissioners, who have five-year appointments with confirmation by the General Assembly. There must be at least one Commissioner, and no more than two from each congressional district. The Commissioners meet quarterly to review and approve the grants awarded by the Commission and serve as advisors to the Director.

The Commission has a staff of four people who process and review grant applications, and monitor the organizations and artists that receive awards. The staff also provides a variety of workshops to arts organizations and artists.

Seven regional and six statewide advisory panels help the Commission make decisions on grant applications. The panelists also evaluate activities funded by the Commission and make recommendations regarding the Commission's policies and procedures. Each panel consists of seven to nine members appointed by the Commission. The panelists represent a variety of arts disciplines and cultural perspectives, and serve a one-year term with the opportunity to serve a maximum of three years.

The Commission's primary funding source is general fund appropriations, but they also collect some special funds and federal grants. The Commission's general fund appropriations decreased over the three-year period due to statewide budget reductions, which resulted in decreases in funds available for grant awards. The Commission also received some federal stimulus funding in 2010, but this was one-time funding, which accounts for the decrease in federal funds over the period. The following table shows budget and actual activity for fiscal years 2010 through 2012.

Budget and Actual Expenses by Fund for Fiscal Year 2010 through 2012

	2010		2011		2012	
	Final Budget	Expenses	Final Budget	Expenses	Final Budget	Expenses
General fund appropriations	\$4,387,394	\$4,386,570	\$3,812,066	\$3,809,645	\$3,797,899	\$3,797,576
Special revenue funds	56,224	6,255	58,000	-	58,000	-
Federal funds	<u>1,174,364</u>	<u>1,063,557</u>	<u>805,373</u>	<u>732,530</u>	<u>805,373</u>	<u>712,824</u>
Total	<u>\$5,617,982</u>	<u>\$5,456,382</u>	<u>\$4,675,439</u>	<u>\$4,542,175</u>	<u>\$4,661,272</u>	<u>\$4,510,400</u>



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 20, 2012

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon III
Chairman, Joint Legislative Audit and Review Commission

We have audited the financial records and operations of the **Commission for the Arts** (Commission) for the period July 1, 2009 through June 30, 2012. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the Commission's internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Commission's management has responsibility 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.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Revenue and appropriations
- Grant awards
- Payroll
- Small purchase charge card

We performed audit tests to determine whether the Commission'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. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Commission's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

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

We noted a matter involving internal control and its operation and compliance with applicable laws and regulations that requires management's attention and corrective action. This matter is described in the section entitled "Compliance Finding and Recommendation."

Exit Conference and Report Distribution

We discussed this report with management on January 16, 2013. Management's response to the finding identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly we express no opinion on it.

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

AUDITOR OF PUBLIC ACCOUNTS

LW/clj



COMMONWEALTH of VIRGINIA

Commission for the Arts

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EXECUTIVE DIRECTOR

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January 16, 2013

The Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes:

The Commission concurs with the auditor's findings. The agency did not follow the Virginia Public Procurement Act (VPPA) requirements when awarding a contract for consulting services.

This was an oversight by the Commission staff. The Commission's fiscal officer and Senior Executive Secretary will seek a refresher course on procurement procedures through the Department of General Services.

Sincerely,

Foster J. Billingsley
Executive Director

VIRGINIA COMMISSION FOR THE ARTS

Foster J. Billingsley
Deputy Director

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