

**VIRGINIA WAR MEMORIAL AND SELECTED AGENCIES
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1999**



AUDIT SUMMARY

We have audited the financial records and operations of the six entities listed below for the year ended June 30, 1999:

- Virginia War Memorial Foundation
- Department of Technology Planning
- Council on Human Rights
- Department of Employee Relations Counselors
- Commission on Local Government
- Commonwealth Competition Council

Our audit of these entities found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no internal control matters that we consider material weaknesses; and
- no instances of noncompliance that are required to be reported.

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AGENCY HIGHLIGHTS

The Department of General Services maintains financial activity records for the following entities. We issued a separate report, dated May 16, 2000, detailing the results of our audit of the Department of General Services.

Virginia War Memorial Foundation

The Virginia War Memorial Foundation's Board of Trustees (the Trustees) determines how to honor Virginians for faithful service in time of war and oversees all Foundation activities. The Trustees also verify that the War Memorial includes the names of all Virginians listed as "Missing in Action" from the Vietnam War or killed in the Persian Gulf Conflict. The Trustees have developed a strategic plan for the Memorial, which focuses on the renovation and expansion of the Memorial to include educational facilities.

To support its mission, the Foundation requests donations through individual, group, and corporate solicitations. For the fiscal year ended 1999, it collected approximately \$38,000 in donations. To aid in future fundraising efforts, the Trustees have approved the hiring of a professional fundraiser.

For fiscal year 1999, the Foundation also received appropriations totaling \$558,687. The majority of these appropriations will help fund the repair of the War Memorial, as well as the planned expansion over the next several years. The remaining appropriations funded the salaries of the Foundation's staff during the current fiscal year.

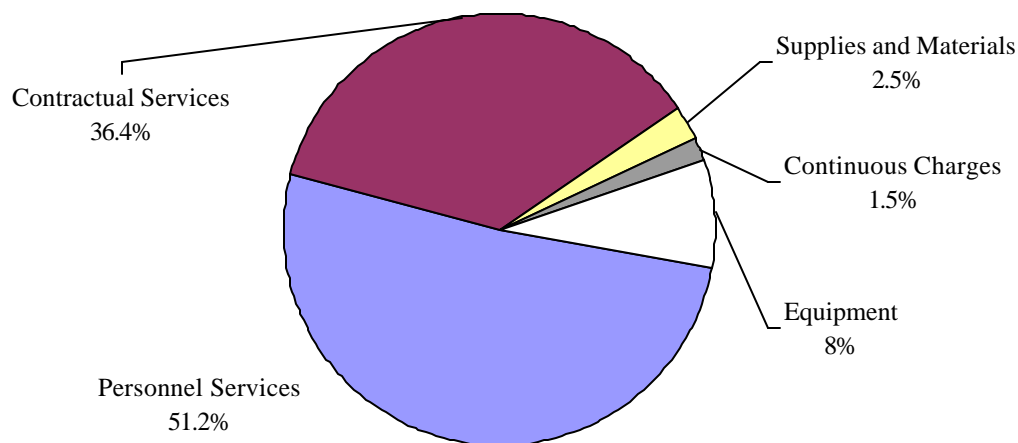
Department of Technology Planning

The Department of Technology Planning, formerly the Council on Information Management, promotes the coordinated acquisition and development of information technology resources in the Commonwealth. In this role, the Department develops and approves policies, standards, guidelines, and technical advisories regarding information technology.

During the audit period and through fiscal year 2000, the Department also included the Century Date Change Initiative Project Office, which was responsible for ensuring a smooth transition into the year 2000 for state agencies and institutions. The Century Date Change Initiative Project Office reported directly to the Secretary of Administration.

The Department and the Century Date Change Initiative Project Office receive their funding from general fund appropriations and fee collections. The Department, including the Century Date Change Project Office, spent their funding as follows:

Fiscal Year 1999 Expenditures



The Century Date Change Initiative Project Office spent approximately \$1.7 million of the \$2.6 million reported above. These expenses reflect only the activities of the Project Office and do not include state agency expenses for the Year 2000 initiative.

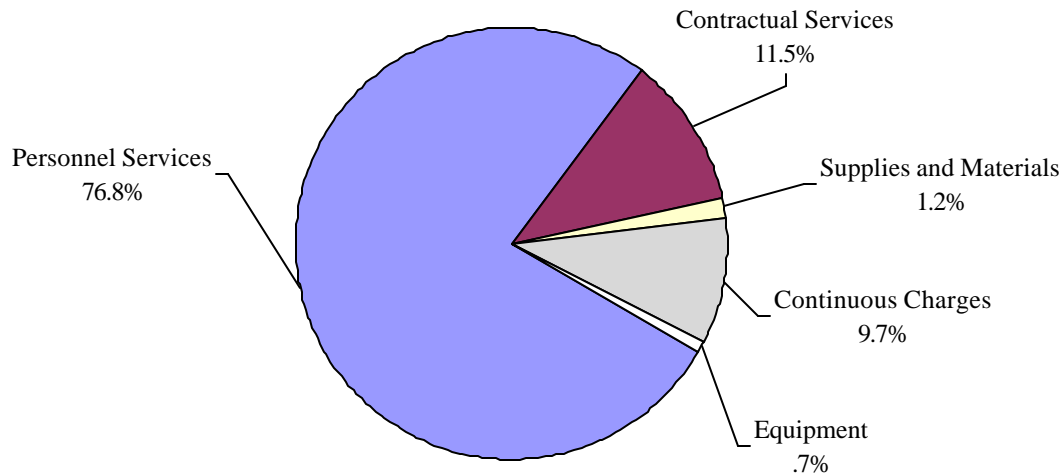
Council on Human Rights

The Council on Human Rights does the following:

- Issues regulations;
- Receives, investigates, and refers complaints of unlawful discrimination;
- Holds hearings and makes findings and recommendations regarding complaints of unlawful discrimination practices; and
- Promotes local human rights commissions.

The Council receives funding through general fund appropriations and federal grants. The following exhibit reflects the Council's expenditure activity for fiscal year 1999.

Fiscal Year 1999 Expenditures

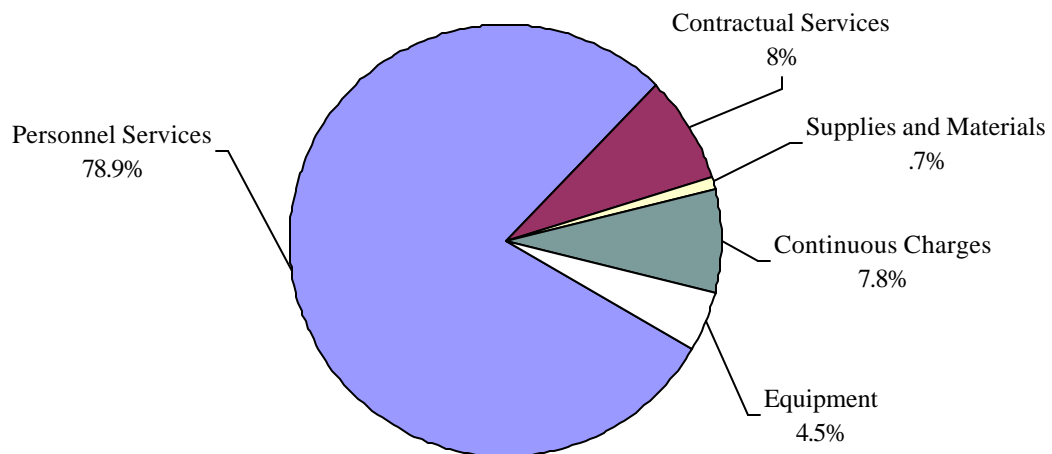


Department of Employee Relations Counselors

The Department of Employee Relations Counselors, renamed the Department of Employment Dispute Resolution on July 1, 2000, implements, administers, and adjudicates the Commonwealth's Employee Grievance Procedures. The Department also counsels state employees on work issues and provides mediation and conflict resolution services and training.

The Department receives funding through general fund appropriations, fee collections, and special revenue. The Department's expenditures can be separated into the following broad areas for fiscal year 1999:

Fiscal Year 1999 Expenditures

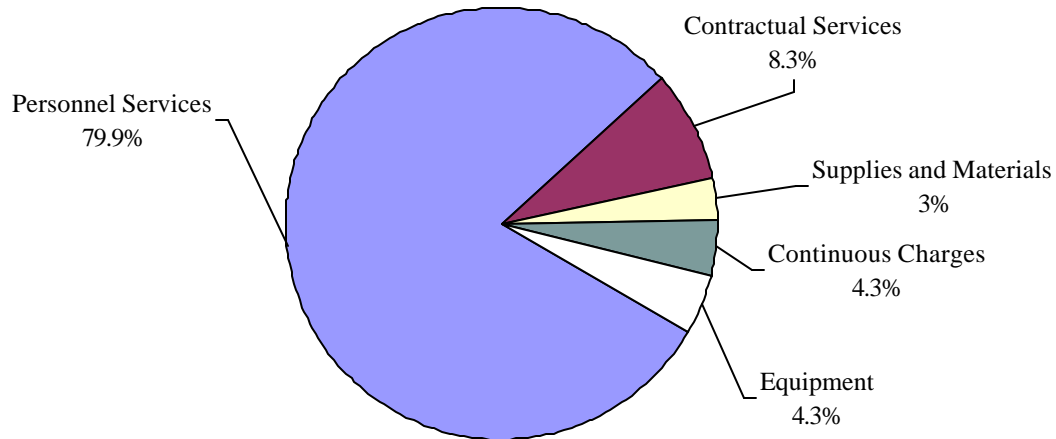


Commission On Local Government

The Commission on Local Government promotes local governments and fosters positive intergovernmental relations. The Commission reviews all proposed local government boundary changes and reports on the ramifications of such proposals. It prepares an annual report analyzing city and county comparative revenue capacity, revenue effort, and fiscal stress. The Commission also produces fiscal impact statements on proposed legislation mandating additional expenditures by localities.

In fiscal year 1999, the Commission received funding through general fund appropriations and spent these funds as follows:

Fiscal Year 1999 Expenditures

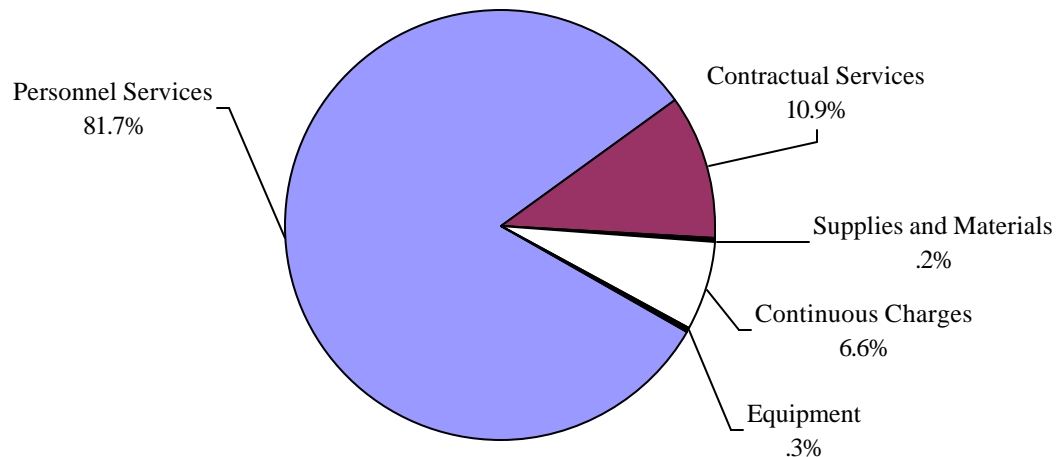


Commonwealth Competition Council

The Commonwealth Competition Council promotes innovations and competition within the Commonwealth. The Council also examines and promotes methods of providing government programs and services through the private sector by a competitive contracting program. It does this through specialized privatization studies and by preparing an annual report to the Governor and the General Assembly on potential privatization areas within government.

The Council receives funding through general fund appropriations. The Council's expenditures can be separated into the following broad areas for fiscal year 1999:

Fiscal Year 1999 Expenditures



May 16, 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

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the six entities (the Entities) listed below for the year ended June 30, 1999:

- Virginia War Memorial
- Department of Technology Planning
- Council on Human Rights
- Department of Employee Relations Counselors
- Commission of Local Government
- Commonwealth Competition Council

We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Entities' 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 Entities' 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 the following significant cycles, classes of transactions, and account balances:

Expenditures
Revenues

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 Entities' 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 Entities' management have 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.

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 controls may deteriorate.

Audit Conclusions

We found that the Entities properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting. The Entities' record their 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, with the exception of the Virginia War Memorial Foundation, which came from the Foundation's accounting records.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might 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 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 disclosed 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

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kva:48

Virginia War Memorial Foundation
Richmond, Virginia

Jon C. Hatfield, Executive Director

Department of Technology Planning
Richmond Virginia

N. Jerry Simonoff, Director

Council on Human Rights
Richmond, Virginia

Roxie Raines Kornegay, Director

Department of Employee Relations Counselors
Richmond, Virginia

Neil A.G. McPhie, Director

Commission on Local Government
Richmond, Virginia

George Urquhart, Executive Director

Commonwealth Competition Council
Richmond, Virginia

Phil K. Bomersheim, Executive Director