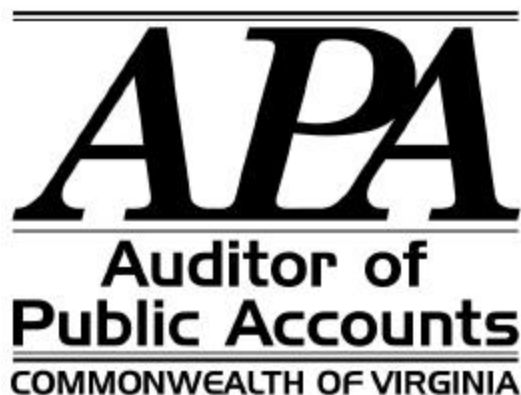


**SELECTED AGENCIES
RICHMOND, VIRGINIA**

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



AUDIT SUMMARY

We have audited the financial records and operations of the seven entities listed below for the year ended June 30, 2000:

- Commission on Local Government
- Commonwealth Competition Council
- Council on Human Rights
- Department for Rights of Virginians with Disabilities
- Department of Employee Relations Counselors
(Renamed Department of Employment Dispute Resolution as of July 1, 2000)
- Department of Technology Planning
- State Board of Elections

Our audit of these entities found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal controls; and
- one instance of noncompliance with applicable laws and regulations that is required to be reported.

Our audit finding is discussed in the section “Compliance Finding and Recommendations” and is entitled, “Properly Perform FAACS Reconciliations.”

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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 January 19, 2001, detailing the results of our audit of the Department of General Services.

Commission On Local Government

The Commission on Local Government does the following:

- Reviews boundary changes for determination of fiscal impact and governmental transition issues for localities and the courts.
- Provides technical assistance for these boundary changes and transition issues.
- Prepares an annual analysis and reporting of the revenue capacity, changes in local-source revenue and revenue efforts, as well as the fiscal stress of Virginia's cities and counties.
- Prepares an annual update of the Catalog of State and Federal Mandates on Local Governments documenting state agency assessment of state and federal mandates on localities.
- Provides research assistance to the General Assembly and legislative study committees.
- Provides staff support for the Virginia Advisory Commission on Intergovernmental Relations, which serves a similar role as the Commission.

For fiscal year 2000, the Commission received \$665,605 in general fund appropriations. Over 80 percent of these appropriations (\$548,972) were spent on salaries and benefits for agency personnel. The remaining appropriations funded other miscellaneous expenses to support the Commission's mission such as rent, supplies and materials, and telecommunication services.

Commonwealth Competition Council

The Commonwealth Competition Council has the goal of identifying and promoting innovations and competition within the Commonwealth for providing government services. The Council has worked with state agencies to identify best practice innovations within their agencies and has organized these innovations into a searchable database on their website. The Council has created a five-step process, including a public or private performance analysis, to facilitate the evaluation of privatization opportunities by state agencies. Finally, the Council issues a quarterly newsletter through their website, highlighting public/private partnership initiatives and opportunities throughout the United States and Virginia. The Council received \$292,597 in general fund appropriations to support its activities, 92 percent of which covers personnel services.

Council on Human Rights

The Council on Human Rights seeks to safeguard all individuals within the Commonwealth from unlawful discrimination as defined in the Virginia Human Rights Act. The Council has the following duties under the Virginia Human Rights Act:

- Issue regulations
- Receive, investigate, and refer complaints of unlawful discrimination
- Hold hearings and make findings and recommendations regarding complaints of unlawful discrimination practices
- Promote local human rights commissions, which support the same function within their communities

The Council received general fund appropriations of \$356,034 and federal grants of \$29,073 to support its programs. Below is a summary of the Council's expenses for fiscal year 2000.

Fiscal Year 2000 Expenses

Personnel services	\$ 319,304
Continuous charges	30,226
Contractual services	29,950
Supplies and materials	4,498
Equipment	<u>983</u>
Total expenditures	<u><u>\$ 384,961</u></u>

Department for Rights of Virginians with Disabilities

The Department for Rights of Virginians with Disabilities provides legal and advocacy services to protect and defend the rights of persons with cognitive, sensory, mental, and physical disabilities particularly in the areas of abuse, neglect, and discrimination. The Department also provides technical assistance, training, and referral information on available resources and services.

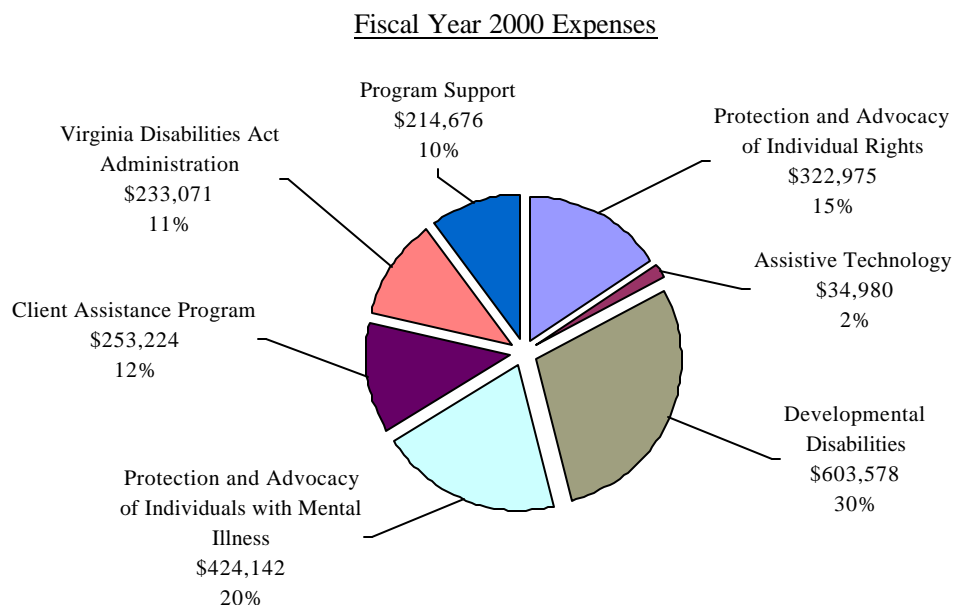
In addition to its Central Office in Richmond, the Department maintains three field offices in Richmond, Virginia Beach, and Staunton. It has nine attorneys and three advocates on staff. As of October 1999, the Department of General Services began providing fiscal services for the Department.

Funding for the Department consists of 88 percent federal grants and 12 percent Commonwealth general funds and totaled \$1,871,969 for fiscal year 2000. Its programs include:

- Virginians with Disabilities Act – allows the Department to bring legal action in the event of unlawful discrimination in employment, voting, state programs and activities, education, transportation, housing, and access to places of public accommodation.

- Client Assistance Program – protects the rights and benefits of people who are applicants or clients of the Department of Rehabilitative Services, Department for the Visually Handicapped, Center for Independent Living, or other programs funded under the Rehabilitation Act of 1973, as amended.
- Assistive Technologies with Department of Rehabilitative Services – assists disabled individuals in obtaining access to assistive technology devices and services.
- Protection and Advocacy of Individual Rights Program – provides information or legal services to individuals faced with unlawful discrimination or barriers to independent living or to receiving benefits and services generally offered to the public.
- Protection Advocacy of Individuals with Mental Illness – protects the human rights and the access to services of mental health facility residents or persons recently discharged, or persons living in the community who have a mental illness.
- Developmental Disabilities Program – protects persons with lifelong disabilities from legal problems relating to abuse, neglect, or discrimination in education, housing, employment, community programs, treatment, and services.

The Department can assist anyone who qualifies for one of the above programs. Assistance can come in the form of advocacy, mediation, or legal action on behalf of the client. In 2000, the Department provided direct legal services to 498 persons, provided referral information or technical assistance to 7,132 persons, trained 2,428 persons, and distributed 14,151 of its own publications to persons. Agency staff also serve on 26 advocacy boards, councils, or task forces to direct public policy on behalf of persons with disabilities. The Department's expenses by program area for fiscal year 2000 follows.



Department of Employee Relations Counselors

The Department of Employee Relations Counselors, renamed the Department of Employment Dispute Resolution on July 1, 2000, administers the Commonwealth's employee grievance procedure. In addition, the Department works to prevent and resolve employment-related disputes in state government through its statewide mediation program, a toll-free Advice Line, and training on the grievance procedure and conflict resolution.

The Department received funding through general fund appropriations (\$1,204,888) and special revenue collections (\$34,679). Below are the Department's expenses for fiscal year 2000, of which personnel services represents 71.8 percent.

Fiscal Year 2000 Expenses

Personnel services	\$ 885,130
Contractual services	142,173
Equipment	109,705
Continuous charges	85,745
Supplies and materials	<u>11,108</u>
Total Expenditures	<u>\$ 1,233,861</u>

Department of Technology Planning

Effective July 1, 1999, the Council on Information Management became the Department of Technology Planning. Technology Planning serves as the technology planning and policy development arm of state government.

During fiscal year 2000, Technology Planning focused its efforts primarily on the Virginia Geographic Information Network, which deals with geographic information management throughout the Commonwealth and the Century Date Change Initiative Project Office, which worked to ensure a smooth transition into the year 2000 for state agencies and institutions. At June 30, 2000, with the completion of the year 2000 initiative, the Department dissolved the Office and shifted its efforts to coordinating and implementing the Governor's electronic government initiative.

The Department received its funding from general fund appropriations (\$12,795,745) and limited fee collections (\$1,823,912). The Department spent their funding during fiscal year 2000 as follows:

Fiscal Year 2000 Expenses

Contractual services	\$ 10,676,415
Personnel services	1,901,879
Equipment	222,636
Continuous charges	174,573
Supplies and materials	<u>132,004</u>
Total Expenditures	<u>\$ 13,107,507</u>

The Century Date Change Initiative Project Office spent approximately \$11.5 million of the \$13.1 million reported above, primarily for contractual services for the Year 2000 verification and validation process. Because of the dissolution of this Office and the shift in organizational efforts, fiscal year 2001 appropriations for the Department are approximately \$2.6 million.

State Board of Elections

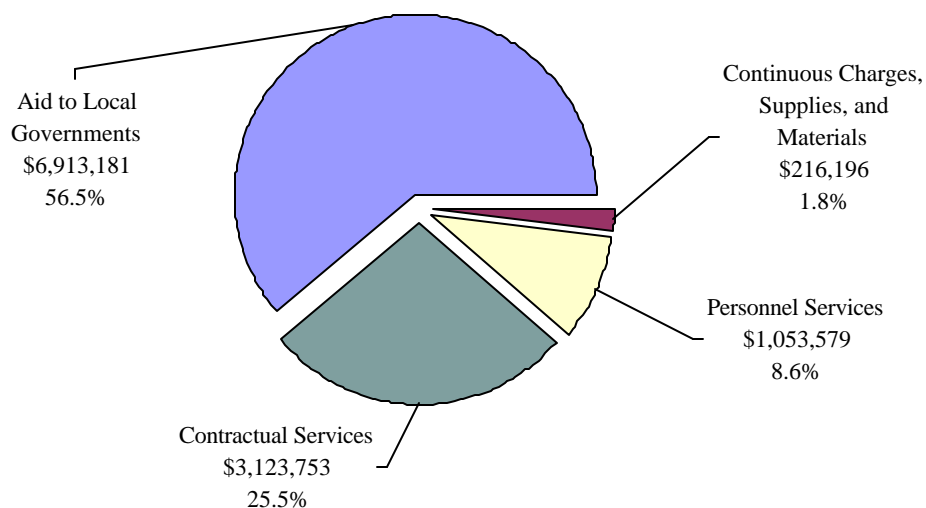
The State Board of Elections (Board) supervises and coordinates the work of local voter registration officials (Registrars) and Electoral Board members (Election Officials) who register voters and conduct elections within their jurisdictions. Its statutory mission is to ensure statewide uniformity of voter registration and election procedures and fairness, accuracy, purity, and legality in all elections. The Board also provides guidance, certifies all voting equipment, qualifies candidates for nomination and election, and certifies statewide, general assembly, and shared constitutional officer election results.

The Board provides localities funding to pay the salaries and some expenses of the Registrars and Election Officials. Compensation amounts are generally calculated based on the most recent population estimates from the U.S. Census Bureau or the University of Virginia's Center for Public Service. The compensation period is March through February.

Finally, the Code of Virginia requires that the Board receives and catalogs all candidate and committee campaign finance report files. As a part of this requirement, the Board verifies that all reports are complete and submitted on time, assessing civil penalties for late, incomplete, or unfiled reports.

General Fund appropriations support the majority of the Board's activities. The Board received \$12,524,870 in general fund appropriations in fiscal year 2000. The Board also collects minimal revenues from the assessment of Campaign Finance Disclosure fines (civil penalties) on behalf of the Commonwealth and receives expenditure refunds from the sale of copies of voter registration listings and campaign finance reports. The Board's expenses fall into the following broad areas for fiscal year 2000, 56.5 percent of which were transfer payments to localities.

Fiscal Year 2000 Expenses



Expenditures for equipment include a one-time purchase to upgrade the computer hardware in the 135 general registrars' offices in Virginia, totaling \$781,301. Contractual services are higher due to system development activity for the new Virginia Voter Registration System, which began in December 1999. The Board plans for the first phase of this new system, which will allow for the migration of data from the current mainframe system to a new relational database, to be implemented in July 2001. The projected budget for this phase is approximately \$1.7 million. Assuming continued funding, the second phase of the project, which will expand the functionality of the relational database, will be implemented during fiscal year 2002.

COMPLIANCE FINDING AND RECOMMENDATION

Failure to Properly Perform FAACS Reconciliations

The Department of General Services' Fiscal Office did not perform monthly FAACS reconciliations in accordance with Commonwealth accounting policies for the Department of Technology Planning or the Department for Rights of Virginians with Disabilities. The State Board of Elections also did not perform their monthly FAACS reconciliation. Failure to perform the reconciliation has resulted in fixed assets not being recorded.

Management should ensure that FAACS transactions are recorded and reconciled monthly as required.

February 22, 2001

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 seven entities (the Entities) listed below for the year ended June 30, 2000:

- Commission of Local Government
- Commonwealth Competition Council
- Council on Human Rights
- Department for the Rights of Virginians with Disabilities
- Department of Employee Relations Counselors
- Department of Technology Planning
- State Board of Elections

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
Fixed Assets

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.

Each entity'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.

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 System. 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.

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 instances of noncompliance that are required to be reported under Government Auditing Standards. Instances of noncompliance, entitled "Properly Perform FAACS Reconciliations," are described in the subsection titled "Compliance Finding and Recommendation."

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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COMMISSION ON LOCAL GOVERNMENT

Richmond, Virginia

George Urquhart, Executive Director

COMMONWEALTH COMPETITION COUNCIL

Richmond, Virginia

Emmett W. Hanger, Jr., Chairman

Phil K. Bomersheim, Executive Director

COUNCIL ON HUMAN RIGHTS

Richmond, Virginia

Roxie Raines Kornegay, Director

DEPARTMENT FOR RIGHTS OF VIRGINIANS WITH DISABILITIES

Richmond, Virginia

Susan T. Ferguson, Director

DEPARTMENT OF EMPLOYEE RELATIONS COUNSELORS

Richmond, Virginia

Neil A.G. McPhie, Director

DEPARTMENT OF TECHNOLOGY PLANNING

Richmond, Virginia

N. Jerry Simonoff, Director

STATE BOARD OF ELECTIONS

Richmond, Virginia

Pina B. Swift, Chairman

Cameron Quinn, Secretary