



STATE CORPORATION COMMISSION

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2013

AUDIT SUMMARY

Our audit of the State Corporation Commission for the fiscal year ended June 30, 2013, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and the Commission's accounting records;
- no matters involving internal control and its operation necessary to bring to management's attention;
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported;
- adequate corrective action with respect to one audit finding reported in the prior year; and
- progress on corrective action for other prior year audit findings.

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AUDIT FINDINGS AND RECOMMENDATIONS

Our prior report included various findings related to improving internal controls. As part of this review, we followed up on the status of these findings and summarized progress in the following table.

Status of Prior Year Findings

<u>Prior Year Finding</u>	<u>Status of Corrective Action</u>
Follow Procurement Rules and Best Practices	In Progress
Properly Approve Human Resource Actions	In Progress
Improve Internal Controls over Procurement Approval Workflow	In Progress
Implement Consistent Procedures over Clerks Office Revenue Deposited for Other Divisions	In Progress
Transfer Unclaimed Refunds to Unclaimed Property Division	In Progress
Improve Database Security	Resolved
Adhere to Policies and Procedures for Assigned Vehicles	In Progress

We discuss the status of each of these findings in more detail below with the exception of the resolved finding. Due to the timing of the prior audit, the Commission did not have the opportunity to complete its corrective action plan before the end of fiscal year 2013. Therefore, we will audit the corrective actions taken to address the prior year findings during the fiscal year 2014 audit.

Follow Procurement Rules and Best Practices

During our previous audit, we found that the Commission did not always follow, consider, or document compliance with procurement rules and regulations when making purchases. The Commission did not always document decisions and agreements with the vendor of their SCC eFile contract. The Commission did not properly procure or extend multiple contracts reviewed. We recommended that the Commission work with the Department of General Services and the Attorney General's Office to clarify what procurement rules and regulations apply to them as an independent department of government, and that they assess their current policies and procedures and change them as needed to agree with this clarified understanding. We also recommended that the Commission review its current contracts to ensure that they were properly procured.

The Commission has met with the Department of General Services and is working with the Attorney General's Office to determine which state procurement laws and guidelines apply to them. The Commission has submitted its current procurement policies and procedures manual to the Attorney General's Office for review. Once the review is complete, the Commission will revise its policies and procedures as necessary and provide training for all staff as needed. The Commission hopes to have this process complete by March 2014.

Properly Approve Human Resource Actions

During our previous audit, we found that the Commission did not follow its own policies in requesting and approving two human resource actions, including one adjustment bonus and one position appointment. Since the previous audit, the Commission reviewed and updated its Human Resource policies to clarify the levels of approval necessary for human resource transactions. The Commission completed this update in September 2013. During the current year audit, we found that appropriate personnel approved all employee pay adjustments. The Commission has developed an ongoing process to sample human resource transactions periodically for compliance and proper documentation.

Improve Internal Controls over Procurement Approval Workflow

During our previous audit, we found that some aspects of the Commission's procurement approval workflow were not operating effectively. The Commission's accounting system, eSCC, did not allow payment of expenses without invoice approval or that exceeded the amount of an approved purchase order. However, in three instances, employees requested increases to the amount of existing purchase orders after ordering or receiving the services. Additionally, in one instance, an employee made a purchase without a purchase order, and the Office of the Commission Comptroller (OCC) did not review the required purchase order approval before making payment. In addition, the Commission's approval workflow design did not meet best practices. OCC approved requisitions centrally unless the requisition was over a significant threshold, set at \$1,000,000. Consequently, OCC was the only approver for the vast majority of expenses. Furthermore, eSCC access levels often allowed the same employee to submit the purchase requisition and invoice and to deliver the payment for X-batches, which are typically used for registration fees and subscriptions. These access levels represented a lack of segregation of duties.

During the current year audit, we found that the Commission properly approved purchase orders prior to receiving goods and services and that amounts paid for goods and services agreed to the corresponding purchase orders. The Commission has now moved the responsibility of approval of requisitions from the Comptroller's Office to the individual Divisional Purchasing Specialists in whichever division initiates the requisition. The Comptroller's Office is now responsible for approving division purchase orders in any amount and requisitions over \$100,000. The Commission is also in the process of reviewing approval workflow in eSCC to determine if additional workflow controls are needed to prevent issues found in the prior year. The Commission expects to complete this review by December 2013.

Implement Consistent Procedures over Clerks Office Revenue Deposited for Other Divisions

During the previous audit, we found that the Commission did not have consistent procedures for deposits made through the Clerk's Office on behalf of other divisions, which resulted in late and possibly incomplete deposits. Divisions that made deposits through the Clerk's Office for specific court cases sometimes sent the funds directly to the Clerk's Office and sometimes funneled the funds through OCC and then to the Clerk's Office. The Commission's policy did not directly address the handling of these types of deposits. Additionally, the Clerk's Office only reconciled its divisional

revenue to the agency accounting system (eSCC); they did not reconcile accounts within the Literary Fund. These funds are fines or penalties typically deposited on behalf of other divisions and amounted to over \$1.1 million during fiscal year 2012.

During the current year audit, we found that the Comptroller's office began performing monthly reconciliations of the Literary Fund in July 2013. The Commission updated its revenue policies to reflect a procedure for non-depositing divisions within the Commission that requires them to send any funds collected each day to the Controller's office on the day of receipt. OCC prepares the deposit and sends it to the Clerk's office for deposit. This policy went into effect at the beginning of fiscal year 2014.

Transfer Unclaimed Refunds to Unclaimed Property Division

During our previous audit, we found that the Commission is not complying with the Uniform Disposition of Unclaimed Property Act. The Clerk's Office receives a high volume of insignificant fee overpayments throughout the year. The Clerk's Office performs due diligence to locate the owners of unclaimed refunds greater than \$25, but owners do not always respond to these notifications. Weekly, the Clerk's Office transfers all refunds that have been unclaimed for at least a year to the General Fund rather than to Unclaimed Property. During the current year audit, we found that the Commission has developed a new process for the Clerk's Office to accrue the unclaimed refunds and prepare the appropriate reports for internal review and for compliance with the Act. At the end of fiscal year 2014, the Clerk's Office will run an Annual Unclaimed Property Report and notify the Controller to send unclaimed funds to the Department of Treasury as required by the Uniform Disposition of Unclaimed Property Act.

Adhere to Policies and Procedures for Assigned Vehicles

During our previous audit, we found that the Commission was not following some of the policies and procedures regarding the assignment and personal use of state-owned vehicles. The Commission was reporting mileage associated with personal commuting at \$1.50 per commute as a taxable fringe benefit rather than having the employee reimburse the Commonwealth at the current IRS mileage rate. We also found that the Commission did not require employees to maintain vehicle travel logs. Both of these are required by the Office of Fleet Management Services (OFMS) Policies and Procedures Manual followed by the Commission.

Since the prior audit, the Commission has updated its commuting policy to reflect that employees will reimburse the state for mileage at the rate specified by the Department of Accounts (currently the IRS mileage rate). Each employee assigned a vehicle must maintain a travel log that shows the dates and mileage of all home-to-office and office-to-home travel while in commute status. Both changes comply with the OFMS Policies and Procedures Manual and go into effect October 2013 (fiscal year 2014).

COMMISSION HIGHLIGHTS

The Commission is an independent department of government directed by three Commissioners, each elected by the General Assembly for six-year terms. Each commissioner administers specific regulatory divisions and the Commissioners annually rotate the chairmanship.

The Commission has both regulatory and non-regulatory divisions. The regulatory divisions monitor a number of industries, including utilities, state-chartered financial institutions, securities, retail franchising, insurance, and railroads. The Commission also serves as the Commonwealth's central filing office for corporations, limited partnerships, limited liability companies, business trusts, and Uniform Commercial Code filings.

The non-regulatory divisions provide administrative and legal support to the regulatory divisions. The administrative divisions report to the Chief Administrative Officer.

The Commission funds its operations from certain regulatory assessments and fees set by statute. The Commission also collects revenues for the General Fund, other special revenue funds, localities, and other state entities.

Below is a listing of the regulatory and non-regulatory divisions.

Regulatory Divisions	Non-Regulatory Divisions
Clerk of the Commission Communications Energy Regulation Bureau of Financial Institutions Bureau of Insurance Public Service Taxation Securities and Retail Franchising Utility Accounting and Finance Utility and Railroad Safety	Legal: General Counsel Hearing Examiners Administrative: Commission Comptroller Human Resources Information Resources Information Security Information Technology Internal Audit Business Continuity/Disaster Recovery

The following is a description of each Regulatory Division.

Clerk of the Commission

The Clerk is the official custodian of the Commission's judicial and administrative records. The Clerk's Office also serves as the central filing office for Uniform Commercial Code financing statements and Federal tax liens as well as for thousands of corporations, partnerships, limited liability companies, and business trusts doing business in Virginia. The Clerk's Office collects various fees from corporations, partnerships, limited liability companies, and business trusts that register with the Commission. In fiscal year 2013, the Clerk's Office collected \$4.7 million in General Fund revenue and \$51.2 million in special revenue.

Division of Communications

The Division of Communications (Communications) has oversight of Virginia's traditional landline telecommunications industry. It assists the Commission in developing, implementing, and enforcing alternatives to traditional forms of regulation as competition evolves. Communications reviews rates and costs, assures compliance with tariff regulations and state law, enforces service standards, investigates consumer complaints regarding communications service, enforces payphone regulations, evaluates telephone companies' performance, and oversees and monitors the implementation of telecommunications market competition.

Division of Energy Regulation

The Division of Energy Regulation (Energy Regulation) provides the Commission with technical support in its regulation of Virginia's investor-owned water and sewer, electric and natural gas utilities, and member-owned electric cooperatives. Energy Regulation's responsibilities include reviewing rate applications and rate adjustment filings made by investor-owned utilities and/or member-owned cooperatives, analyzing certificate applications, monitoring utility construction projects, and responding to consumer complaints regarding electric, gas, water, and sewer utilities under the Commission's jurisdiction.

Bureau of Financial Institutions

The Bureau of Financial Institutions (Financial Institutions) regulates and examines state-chartered banks, trust companies, savings and loans, and credit unions. Financial Institutions also licenses and examines mortgage lenders and brokers, mortgage loan originators, money order sellers, consumer finance companies, industrial loan associations, payday lenders, motor vehicle title lenders, and credit counseling agencies. Check cashers are required to register with the Commission through Financial Institutions. Financial Institutions collects revenue from these entities for application fees, license fees, annual assessment fees, examination fees, and investigation fees, which totaled \$15.1 million in fiscal year 2013.

Bureau of Insurance

The Bureau of Insurance (Insurance) regulates over 1,779 insurance companies and 210,764 agents and agencies licensed to do business in Virginia. Insurance also licenses or administers other entities such as managed care health insurance plans, risk retention groups, and continuing care providers. Insurance approves forms for insurance policies and contracts and prescribes the standards and guidelines for insurance coverage. Insurance performs financial and compliance audits on the licensed insurance companies and approves a variety of insurance company transactions. Insurance staff assists consumers in resolving disputes with insurance companies.

In fiscal year 2013, Insurance collected insurance premium taxes from insurance companies during the first half of the fiscal year, which totaled \$180.0 million in General Fund revenue. Pursuant to §58.1-2503 of the Code of Virginia, the collection of insurance premium taxes transferred to the

Virginia Department of Taxation effective January 1, 2013. Insurance collected the final tax report for the 2012 tax year on March 1, 2013.

Insurance also collected \$22.5 million in fiscal year 2013 for the special revenue funds from maintenance assessments and fees from licenses, applications, and appointments. Insurance collected assessments in fiscal year 2013 for the following funds:

- Fire Programs Fund - \$32.8 million
- Flood Prevention and Protection Assistance Fund - \$204,983
- Help Eliminate Automobile Theft (HEAT) Fund - \$1.7 million
- Fraud Assessment - \$5.3 million

Insurance transfers the amount collected to the appropriate agency that administers the program, less an administrative fee to cover costs incurred.

Insurance also receives uninsured motorist fees collected by the Department of Motor Vehicles (Motor Vehicles). In accordance with the Code of Virginia, Insurance distributes these funds to the insurance companies who write automobile liability insurance. Motor Vehicles transferred uninsured motorist fees to Insurance totaling \$4.9 million in fiscal year 2013.

Since the U. S. Congress passed the Patient Protection and Affordable Care Act (Act) effective March 23, 2010, Insurance received three federal grants totaling approximately \$3.1 million to implement several provisions set out in the Act. Insurance used these grants to enhance the insurance rate review process, expand the consumer assistance program, and perform plan management functions for the federal health benefits exchange in Virginia with the assistance of the Virginia Department of Health. The 2012 session of the General Assembly authorized the plan management functions through Senate Bill 922 and House Bill 1769. In fiscal year 2013, the Commission also received \$200,000 in General Funds to perform plan management functions. The Commission received a federal reimbursement for these funds and plans to return the funds to the General Fund of the Commonwealth.

Division of Public Service Taxation

The Division of Public Service Taxation (Public Service Taxation) collects state taxes and fees on revenues and services of public service companies (e.g., electricity, gas, water, motor carriers, railroads, and telecommunications companies). Public Service Taxation collects taxes on electricity and natural gas based on a consumption tax imposed on the consumer. Public Service Taxation also determines and certifies the assessed value of utility companies' property for local property taxation. In fiscal year 2013, Public Service Taxation collected \$88.9 million in General Fund revenue and \$21.4 million in special revenue.

Division of Utility Accounting and Finance

The Division of Utility Accounting and Finance provides the Commissioners with information and analysis on electric, gas, water, and wastewater utilities' accounting and financial positions. It also advises the Commissioners on economics and finance issues related to public utilities. The work

is primarily done through audits, investigations, studies, and forecasts, both formal and informal, of the utilities. The Commissioners use this information when considering utility applications involving rates and services; financing; affiliate transactions, mergers and acquisitions; certificates of public convenience and necessity; alternative regulatory plans; and the restructuring of utility markets.

Division of Securities and Retail Franchising

The Division of Securities and Retail Franchising (Securities and Retail Franchising) regulates securities, broker-dealers, broker-dealer agents, investment advisers, and their representatives and registers franchises and trademarks in Virginia. Securities and Retail Franchising answers inquiries, handles complaints, provides investor education awareness, performs audits, and conducts investigations regarding Code of Virginia violations. Securities and Retail Franchising collected \$9.8 million in fiscal year 2013.

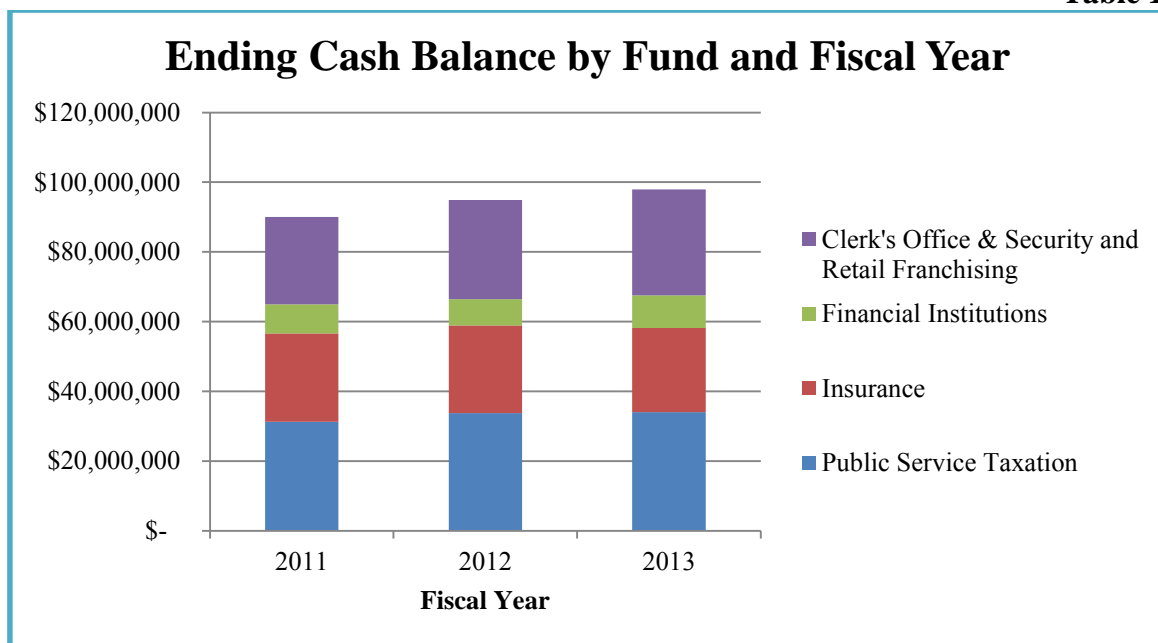
Division of Utility and Railroad Safety

The Division of Utility and Railroad Safety (Utility and Railroad Safety) works to ensure safe operation of railroads within the Commonwealth by inspecting procedures, tracks, and equipment. To promote natural gas and hazardous liquid pipeline safety, Utility and Railroad Safety conducts pipeline facilities inspections, reviews records and plans, and investigates incidents. Utility and Railroad Safety also investigates all reports of probable violations of the Underground Utility Damage Prevention Act and helps the Commission in the enforcement of the Act. The division provides free training relative to the Underground Utility Damage Prevention Act to stakeholders, conducts public education campaigns, and promotes partnership among various parties to further underground utility damage prevention in Virginia.

FINANCIAL INFORMATION

The Commission funds its operations from certain regulatory assessments and fees set by statute and records this activity primarily in four special revenue funds. Depending on the revenue source, the Commission collects revenue annually, quarterly, or monthly and maintains a cash balance in these special revenue funds as a reserve to prevent large fluctuations in rates. Additionally, management anticipates significant future costs associated with the implementation of Commission 2.0, which they intend to fund using some of these cash reserves. The total cash balance of special revenue funds increased from \$95.0 million in fiscal year 2012 to \$97.9 million in fiscal year 2013. The following table shows the ending cash balances of the Commission special revenue funds for fiscal years 2011, 2012 and 2013.

Table 1



Source: Commonwealth Accounting and Reporting System

The Appropriation Act requires the Commission to transfer to the General Fund three-fourths of the revenue collected for registration fees for domestic and foreign corporations semi-annually less any funds necessary for administration of the Clerk's Office. The Commission collected \$51.2 million in this area during fiscal year 2013, resulting in a required transfer of \$37.9 million to the General Fund. The Code of Virginia also requires the Commission to revert excess fees collected for Securities and Retail Franchising over costs to the General Fund. The Commission collected \$9.8 million in revenue for Securities and Retail Franchising and spent \$6.5 million for an excess of \$3.3 million.

The Commission collects a majority of its revenues for the General Fund. General Fund revenues decreased by 58 percent primarily due to the reduction in gross premium tax collections for insurance companies. Responsibility for collection of the gross premium tax collections transferred to the Department of Taxation on January 1, 2013. In fiscal year 2012, General Fund revenues accounted for 67 percent of the Commission's total collections. In fiscal year 2013, General Fund revenues accounted for 46 percent of the Commission's total collections. The following table shows the total revenues the Commission collected by fund for fiscal years 2012 and 2013.

Table 2

Revenue by Fiscal Year and Fund

Fund	2012	2013
General	\$346,043,803	\$ 143,996,337
Special Revenue	156,039,250	152,855,181
Trust and Agency	6,566,875	8,959,892
Dedicated Special Revenue	5,846,621	6,331,955
Federal Trust	<u>2,341,051</u>	<u>574,992</u>
Total	<u>\$516,837,600</u>	<u>\$312,718,357</u>

Source: Commonwealth Accounting and Reporting System

The Department of Planning and Budget establishes an original expense budget based on the prior biennium budget amount and adjusts for certain items. The following schedule compares the Commission's fiscal years 2012 and 2013 original and adjusted budgets with actual expenses.

Table 3

Budget to Actual Operating Expenses by Fiscal Year and Fund

2013

	Original Budget	Final Budget	Actual Expense
General Fund	\$ -	\$ 200,000	\$ 200,000
Special Revenue	79,422,495	81,352,101	72,309,566
Trust and Agency	6,856,941	6,856,941	5,369,078
Dedicated Special Revenue	1,782,167	1,268,531	888,013
Federal Grants	<u>1,350,000</u>	<u>2,187,000</u>	<u>1,839,852</u>
Total	<u>\$ 89,411,603</u>	<u>\$ 91,864,573</u>	<u>\$ 80,606,509</u>

2012

	Original Budget	Final Budget	Actual Expense
Special Revenue	\$ 78,866,998	\$ 81,881,451	\$ 70,351,541
Trust and Agency	6,856,941	6,856,941	5,533,585
Dedicated Special Revenue	1,776,551	1,462,098	1,351,121
Federal Grants	<u>750,000</u>	<u>2,880,290</u>	<u>2,201,645</u>
Total	<u>\$ 88,250,490</u>	<u>\$ 93,080,780</u>	<u>\$ 79,437,892</u>

Source: Commonwealth Accounting and Reporting System

Special revenue original and final budgeted amounts remained relatively constant between fiscal years 2012 and 2013. Actual expenses experienced a slight increase in fiscal year 2013. The increase in the final budget each year was primarily due to the re-appropriation of prior year unexpended appropriations related to multi-year projects, such as maintenance improvement projects and the e-File project with the exception of federal and General Fund adjustments. Actual special revenue expenses were 11 percent and 14 percent less than the final budget in fiscal years 2013 and 2012, respectively. This difference in budget to actual expenses is primarily a result of the Commission operating at less than full employment and budgeting unknown potential costs associated with multi-year building maintenance and information technology projects. Fiscal year 2013 trust and agency expenses decreased slightly due to revenues for the uninsured motorist fund being less than originally anticipated. The increase in federal budgeted amounts and expenses is primarily due to federal funds not expended in the prior year being re-appropriated for fiscal year 2013.

Payroll costs, including fringe benefits, accounted for approximately 71 percent, or \$57.0 million, of the Commission's total expenses during fiscal year 2013. During fiscal year 2013, the Commission spent \$13.4 million, or 17 percent, on contractual services and an additional \$5.4 million, or seven percent, on transfer payments. Contractual services cover a broad variety of services, such as systems development, software maintenance, and public relations. The Commission's transfer payments are primarily payments to insurance companies from the uninsured motorists program. Personal services increased in fiscal year 2013 due to a one-time bonus in fiscal year 2013 not received in fiscal year 2012. Contractual services decreased primarily because of software development costs incurred in fiscal year 2012, but not incurred in fiscal year 2013, related to the e-File system. Table 4 details the Commission's operating expenses by major expense category.

Table 4

Operating Expenses by Fiscal Year and Major Category

Category	2012	2013
Personal services	\$ 54,411,046	\$ 57,034,459
Contractual services	14,505,427	13,395,464
Supplies and materials	512,294	469,052
Transfer payments	5,637,997	5,407,634
Rent and other continuous charges	1,154,726	1,293,025
Equipment	<u>3,216,403</u>	<u>3,006,875</u>
Total	<u>\$ 79,437,893</u>	<u>\$ 80,606,509</u>

Source: Commonwealth Accounting and Reporting System



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 6, 2013

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 **State Corporation Commission** for the year ended June 30, 2013. 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 objective was to evaluate the accuracy of the Commission's financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia for the year ended June 30, 2013. In support of this objective, we evaluated the accuracy of recording financial transactions in the Commonwealth Accounting and Reporting System and in the Commission's accounting records, reviewed the adequacy of the Commission's internal control, tested for compliance with applicable laws, regulations, contracts, and grant agreements, and reviewed corrective actions of audit findings from prior year reports.

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, regulations, contracts, and grant agreements.

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.

Accounts payable
Revenue
Payroll expenses
Operating expenses
Procurement
Information Systems security

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, regulations, contracts, and grant agreements. 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 no new matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Commission has taken adequate corrective action with respect to one audit finding reported in the prior year that is not repeated in this letter. Progress on other prior year findings is discussed in the section titled "Audit Findings and Recommendations."

Exit Conference and Report Distribution

We discussed this report with management on December 12, 2013. Management's response to the findings identified in our audit is included in the section titled "Commission 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.

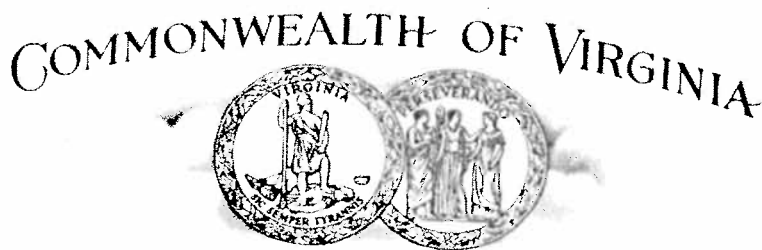
AUDITOR OF PUBLIC ACCOUNTS

DBC/alh

MARK C. CHRISTIE
COMMISSIONER

JAMES C. DIMITRI
COMMISSIONER

JUDITH WILLIAMS JAGDMANN
COMMISSIONER



JOEL H. PECK
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P.O. BOX 1197
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STATE CORPORATION COMMISSION

December 12, 2013

Ms. Martha S. Mavredes
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Mavredes:

The State Corporation Commission (Commission) appreciates the time and effort that your staff devoted to review the Commission's financial records and operations for fiscal year 2013. The Commission is pleased that the report did not contain any audit findings and that it recognized the progress made on the findings and recommendations in the fiscal year 2012 audit.

Thank you for your staff's attention to the information which we provided throughout the audit engagement.

Sincerely,

A handwritten signature in black ink, appearing to read "James C. Dimitri".

James C. Dimitri, Chairman

A handwritten signature in black ink, appearing to read "Judith Williams Jagdmann".

Judith Williams Jagdmann, Commissioner

A handwritten signature in black ink, appearing to read "Mark C. Christie".

Mark C. Christie, Commissioner

STATE CORPORATION COMMISSION

As of June 30, 2013

COMMISSIONERS

James C. Dimitri, Chairman

Mark C. Christie

Judith Williams Jagdmann