

**DIVISION OF SELECTED AGENCY
SUPPORT SERVICES
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001**



AUDIT SUMMARY

Our audit of the Division of Selected Agency Support Services for the year ended June 30, 2001, found:

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

AGENCY BACKGROUND

This report includes the financial activity of the agencies below. The Division of Selected Agency Support Services of the Secretary of Administration keeps the accounting records for these agencies.

Secretary of the Commonwealth
Charitable Gaming Commission
Commission on Virginia/Israel Advisory Board
Interstate Organization Contributions
Office for Substance Abuse Prevention
Virginia Liaison Office
Virginia Veterans' Care Center Board of Trustees

The Division also keeps records for the Offices of the Governor, Lieutenant Governor, and the Governor's Cabinet Secretaries, and the Virginia Racing Commission. We issue separate reports on these entities and include the Citizens' Advisory Council on Furnishing and Interpreting the Executive Mansion in the report of the Office of the Governor.

Secretary of the Commonwealth

The Secretary of the Commonwealth has the following duties:

1. Serving as custodian of the Governor's official records;
2. Handling services of process on some defendants in civil actions, processing extraditions, and restoring civil rights;
3. Registering and regulating lobbyists, appointing and regulating notaries public;
4. Researching and coordinating recommendations for Gubernatorial appointments to boards and commissions;
5. Compiling and publishing the Report of the Secretary of the Commonwealth;
6. Maintaining conflict of interest statements filed by state officials; and
7. Maintaining the Governor's Executive Journal and papers.

The Secretary receives its funding through General Fund appropriations. The following reflects the financial activity of the Secretary for fiscal year 2001.

Original appropriation	\$ 1,473,918	
Adjustments:		
Additional revenue supplemental	90,000	
Salary regrade	14,802	
Health insurance premiums	7,518	
Deferred compensation match	3,840	
Reappropriation of unexpended funds from prior year	1,164	
Group life insurance savings	(25)	
Productivity savings	(231)	
DIT savings	(939)	
Retiree health credit rate reduction	(3,034)	
Retirement contribution rate reduction	<u>(7,544)</u>	
Adjusted appropriations		\$ 1,579,469
Expenses:		
Salaries and fringe benefits	1,008,971	
Contractual services	416,008	
Supplies and materials	38,973	
Continuous charges	86,026	
Other	<u>9,212</u>	
Total expenses		<u>1,559,190</u>
Unexpended balance		<u>\$ 20,279</u>

The Secretary also collects revenues on behalf of the General Fund of the Commonwealth and deposits these funds directly with the Treasurer of Virginia. The Secretary cannot use these collections to meet current operating needs.

Collections:

Services of process	\$ 1,264,707
Notary commission fees	705,200
Lobbyist fees	96,174
Certificates of authentication	202,579
State publications sales	4,999
Other	<u>1,999</u>

Total collections	<u>\$ 2,275,658</u>
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Charitable Gaming Commission

The Commission oversees all charitable gaming in the Commonwealth. The Commission establishes and enforces regulations over charitable gaming to ensure gaming integrity and the proper use of game revenues. The Commission receives permit application and audit fees from qualified organizations to fund its operations.

Beginning balance	\$ 2,434,486
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Revenues:

Application permit fees	\$ 1,789,462
Interest	<u>5,585</u>

Total revenue	1,795,047
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Expenses:

Salaries and fringe benefits	1,531,137
Contractual services	627,288
Supplies and materials	25,525
Transfer payments	1,398
Continuous charges	16,932
Equipment	<u>30,954</u>

Total expenses	2,233,234
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Transfers to the General Fund
of the Commonwealth

<u>5,622</u>

Ending balance	<u>\$ 1,990,677</u>
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Commission on Virginia/Israel Advisory Board

The Israel Advisory Board provides advice to the Governor on ways to improve economic and cultural links between the Commonwealth and the State of Israel with a focus on the areas of commerce and trade, art and education, and general government. The Board consists of 29 members appointed by the General Assembly and Governor. No members of the Board receive compensation for their services. The Board only receives General Fund appropriations to support its activities.

Original appropriation		\$ 150,000
Expenses:		
Salaries and fringe benefits	\$ 65,516	
Contractual services	78,241	
Other	<u>6,166</u>	
Total expenses		<u>149,923</u>
Unexpended balance		<u>\$ 77</u>

Interstate Organization Contributions

Interstate Organization Contributions are memberships to the National Governors Association and other national organizations. Interstate Organization Contributions receives only General Fund appropriation.

Original appropriation	\$ 232,900	
Adjustments:		
Reappropriation of unexpended funds from prior year	<u>4,292</u>	
Adjusted appropriations		\$ 237,192
Expenses:		
Contractual services	226,759	
Supplies and materials	<u>10,000</u>	
Total expenses		<u>236,759</u>
Unexpended balance		<u>\$ 433</u>

Office for Substance Abuse Prevention

In fiscal 2001, the Governor created the Office for Substance Abuse Prevention to assist in the coordination of the substance abuse prevention activities of the Commonwealth. The Office cooperates with federal, state, and local agencies; private and public agencies; interested organizations; and individuals in order to prevent substance abuse within the Commonwealth.

The Governor authorized the transfer of General Fund appropriations from the Department of Corrections. The Office also received Federal grant funds transferred from the Department of Mental Health, Mental Retardation, and Substance Abuse Services. The following reflects the financial activity of the Office.

Transfer:

General Funds from the Department of Correction	\$ 113,242	
Federal Grant Funds from the Department of Mental Health	<u>161,065</u>	
Total transfers		\$ 274,307

Expenses:

Salaries and fringe benefits	118,722	
Contractual services	91,750	
Supplies and materials	3,738	
Continuous charges	2,043	
Equipment	<u>26,580</u>	
Total expenses		<u>242,833</u>
Unexpended balance		<u>\$ 31,474</u>

Virginia Liaison Office

The Virginia Liaison Office promotes Virginia's interests with the federal government. The Office receives a General Fund appropriation and a transfer of funds from the Transportation Trust Fund. Below is the net financial activity for the Office during fiscal year 2001.

Original appropriation		\$ 231,531
Expenses:		
Salaries and fringe benefits	\$ 210,245	
Contractual services	15,225	
Continuous charges	86,668	
Other	<u>2,432</u>	
Total expenses		314,570
Transfers from the Transportation Trust Fund		<u>111,649</u>
Unexpended balance		<u>\$ 28,610</u>

Virginia Veterans' Care Center Board of Trustees

The Virginia Veterans' Care Center Board of Trustees administers an adult care and nursing home facility for Virginia's veterans. The Virginia Veterans' Care Center Board operates using a Special Revenue Fund, which reflects the net of the revenues and expenses for administering the veterans' adult care and nursing home.

Beginning balance		\$ 1,259,239
Revenues:		
Health support fees	\$ 276,589	
Interest	<u>79,712</u>	
Total revenues		356,301
Expenses:		
Salaries and fringe benefits	120,564	
Contractual services	165,225	
Supplies and materials	10,737	
Continuous charges	2,522	
Property and Improvements	2,717	
Equipment	<u>7,375</u>	
Total expenses		309,140
Transfers to the General Fund of the Commonwealth		<u>7,007</u>
Ending balance		<u>\$ 1,299,393</u>

August 31, 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 **Division of Selected Agency Support Services** for the year ended June 30, 2001. 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 evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Division'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 Division'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 the following significant cycles, classes of transactions, and account balances:

Fixed Assets
Expenditures

Appropriations
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 Division'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.

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 Division properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Division 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 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.

We discussed this report with management on September 6, 2001.

AUDITOR OF PUBLIC ACCOUNTS

DBC:whb
whb:25

DIVISION OF SELECTED AGENCY SUPPORT SERVICES
Richmond, Virginia

As of June 30, 2001

Anne P. Petera
Secretary of the Commonwealth

Stanley J. Lapekas
Director, Charitable Gaming Commission

Robert Robbins
Executive Director, Virginia/Israel Advisory Board

M. Boyd Marcus, Jr.
Chief of Staff, Citizens Advisory Committee and Interstate Organization Contributions

Ben Smith
Director, Office for Substance Abuse Prevention

Michael T. McSherry
Director, Virginia Liaison Office

Paul M. Steube
Chairman, Board of Trustees, Virginia Veterans' Care Center

Dennis Johnson
Director of Finance, Division of Selected Agency Support Services

