



# VIRGINIA TOURISM AUTHORITY

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2017

Auditor of Public Accounts  
Martha S. Mavredes, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

(804) 225-3350



## AUDIT SUMMARY

Our audit of the Virginia Tourism Authority (Authority) for the fiscal year ended June 30, 2017, found:

- proper recording and reporting of all transactions, in all material respects, in the Authority's financial system;
- no matters involving internal control and its operation necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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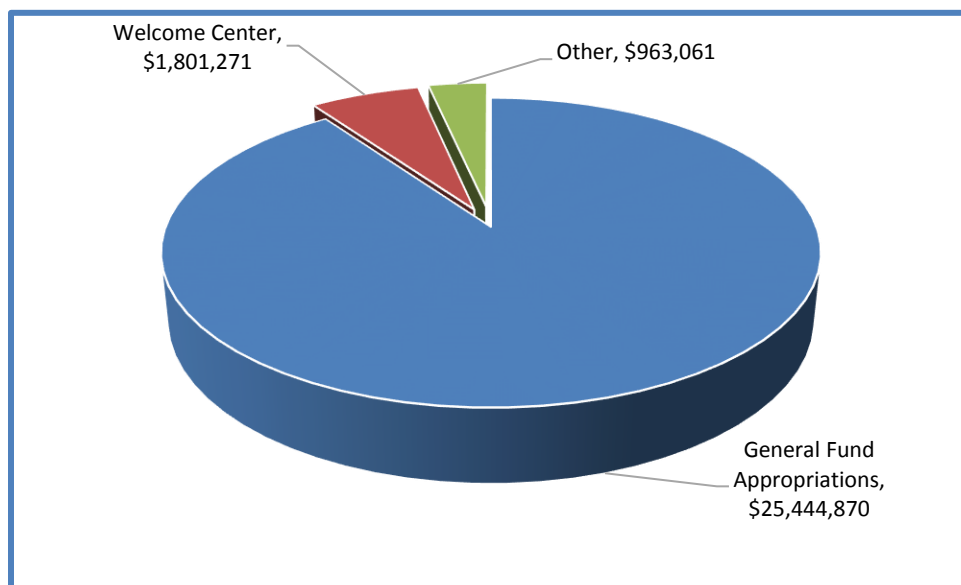
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## AGENCY HIGHLIGHTS

The Virginia Tourism Authority (Authority) is a political subdivision of the Commonwealth of Virginia authorized to do business as the “Virginia Tourism Corporation.” The Authority was established on July 1, 1999, pursuant to §2.2-2315 of the Code of Virginia. The Authority’s mission focuses on enhancing Virginia’s economy by supporting, maintaining, and expanding the Commonwealth’s domestic and international travel market and motion picture production, thereby generating increased visitor spending, tax revenues, and employment. To achieve this objective, the Authority engages in numerous marketing programs, operates the Virginia Film Office, and provides visitor relations services with the operation of welcome centers throughout the Commonwealth.

General Fund appropriations are the primary funding source for operations of the Authority. The Authority can retain and carry forward its appropriations. The Authority also receives funds from the Department of Transportation to operate the Commonwealth’s welcome centers, and a contract with Highway Information Media to solicit advertisers at the welcome centers and collect advertising revenue. The remaining funding sources include participation fees from promotional activities and royalties for the use of the “Virginia is for LOVERS” trademarked logo. The chart below presents a breakdown of the Authority’s funding sources for the fiscal year ended June 30, 2017.

**Funding by Source for the Fiscal Year Ended June 30, 2017**



Source: Virginia Tourism Authority Accounting System

The Authority has five programmatic areas to manage its activities. These areas are 1) Operations and Finance, 2) Marketing, 3) Film, 4) Partnership Marketing, and 5) Executive and Board of Directors. The Virginia Economic Development Partnership provides certain administrative and financial functions, including accounting and payroll services, to the Authority.

A breakdown of the Authority's expenses by type for the fiscal year ended June 30, 2017, is shown below. The majority of the Authority's expenses are for payroll, advertising and promotion, and consulting and various other services.

**Analysis of Expenses by Type for Fiscal Year Ended June 30, 2017**

Expense Type	2017	Percentage of Total Expenses
Salaried Compensation	\$ 6,534,252	27%
Advertising and Promotion	5,657,683	24%
Grants	2,838,355	12%
Professional Services	2,398,753	10%
Pass-through	1,677,556	7%
Digital Marketing	1,532,906	6%
Wage Compensation	594,954	3%
Travel	579,670	3%
Supplies and Materials	566,351	2%
Fixed Asset Payments	555,487	2%
Missions Shows and Events	327,844	1%
Other Expenses	792,756	3%
<b>Total Expenses</b>	<b>\$24,056,567</b>	<b>100%</b>

*Source: Virginia Tourism Authority Accounting System*



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

December 12, 2017

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable Robert D. Orrock, Sr.  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Virginia Tourism Authority** (Authority) for the year ended June 30, 2017. 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 Authority's financial system, review the adequacy of the Authority's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements.

## **Audit Scope and Methodology**

The Authority's management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts and grant agreements. 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.

Contractual services expenses  
Payroll expenses  
Small purchase charge card  
Financial assistance and incentives payments  
Appropriations

We performed audit tests to determine whether the Authority'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 Authority's operations. We performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

### **Conclusions**

We found that the Authority properly stated, in all material respects, the amounts recorded and reported in the Authority's financial system. The financial information presented in this report came directly from the Authority's financial system.

We noted no 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.

### **Exit Conference and Report Distribution**

We discussed this report with management on December 14, 2017.

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

MSM/clj

## **VIRGINIA TOURISM AUTHORITY**

As of June 30, 2017

### **Board of Directors**

Susan K. Payne, Chairwoman  
Paul H. van Leeuwen, Vice Chairman

Richard D. Brown, Ex-Officio  
Basil I. Gooden, Ex-Officio  
Todd P. Haymore, Ex-Officio  
Ralph S. Northam, Ex-Officio  
Molly Ward, Ex-Officio

Trixie L. Averill  
Jean Ann Bolling  
Shelia C. Bradley  
Catherine D. Brillhart  
Mark B. Hubbard  
Anette Johnson  
Eric S. McKay  
Terry L. Stroud  
Phyllis A. Terrell  
Mills Wehner

### **Officials**

President and Chief Executive Officer

Rita D. McClenny

Vice President of Operations and Finance

Mitch Rosenfeld