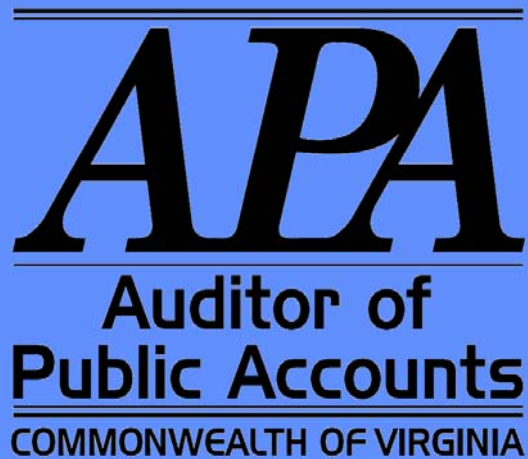


**COMPENSATION BOARD**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2010**



## **AUDIT SUMMARY**

Our audit of the Compensation Board for the year ended June 30, 2010 found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations 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; and
- the Compensation Board has adequately addressed the deficiency identified in the prior year audit report.

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## BOARD HIGHLIGHTS

The Compensation Board consists of the Auditor of Public Accounts and the State Tax Commissioner as ex-officio members, and one member appointed as Chairman by the Governor. The Compensation Board has responsibility for:

- Determining the state's share of Constitutional Officers' (county and city Sheriffs, Treasurers, Commissioners of the Revenue, Commonwealth's Attorneys, and Clerks of the Circuit Court) budgets and reimbursing localities for Constitutional Officers' salaries and expenses.
- Reimbursing local governments and regional jails for the state's share of holding inmates and reporting daily on jail population.
- Providing an annual report of the Courts and Commonwealth's Attorneys' collection of court fines and fees.
- Issuing an annual report of jail revenues and expenditures for all local and regional jails and jail farms that receive Compensation Board funding.
- Administering the Technology Trust Fund to reimburse Clerks of the Circuit Court for automation of land records.

### Excess Fees

Section 17.1-285 of the Code of Virginia requires that the Compensation Board calculate fees in excess of incurred costs of the Courts of Virginia. In accordance with the 2009 Virginia Acts of Assembly, the Commonwealth retains two-thirds of the excess fees collected by Courts from operations. Local Governments receive the remaining one-third. Each month, the Board performs an excess fee calculation using Circuit Court Clerks' collections and expenses for the prior month, with any resulting excess split as described above. This process relies on two key pieces of information: Court Fee revenue, which is provided monthly by data transfer from the Virginia Supreme Court's Financial Management System into the Constitutional Officer Information Network (COIN) automated budget and reimbursement system of the Compensation Board; and the actual payments from the Compensation Board to the Local Governments that pay the salaries and expenses for the respective courts.

### Technology Trust Fund Fee

Section 17.1-279 of the Code of Virginia requires that the Compensation Board administer the Technology Trust Fund Fee. This fee is a five dollar assessment on each civil action, recorded deed instrument, and docketed judgment in the judgment lien docket book. The purpose of the trust fund is to assist Clerks of Circuit Court in developing, updating, and implementing individual land-records' automation plans. The Compensation Board holds the fees in trust for the office that collected them, less a percentage used for the administration of the land-records' automation plans and to assist smaller Clerk's offices whose fees collections are insufficient to implement the automation plans. This process relies on the self-deposited Technology Trust Fund Fee collections by each individual Clerk's office.

## Federal Programs

In fiscal year 2010, the Compensation Board received federal funding as part of the American Recovery and Reinvestment Act (Recovery Act). As a result of the funding, the Compensation Board passed through approximately \$109 million in State Fiscal Stabilization Funds to local sheriff's offices and regional jails during the year. Pursuant to the Recovery Act, the Compensation Board also received federal funding through the Byrne Justice Assistance Grant (JAG) program. The approximate \$23 million in JAG funding allowed the Compensation Board to offset proposed budget reductions to local sheriff's offices and regional jails.

## FINANCIAL HIGHLIGHTS

The following tables summarize the Compensation Board's financial activity for the fiscal year ending June 30, 2010. General Fund appropriations accounted for 75 percent of the Compensation Board budget during the fiscal year, while approximately 21 percent of funding was attributable to Recovery Act federal funding.

There were significant changes between the original and final budget in the General and Federal funds. The General Fund original budget decreased during the year as a result of the statewide budget reduction plan. The proposed reductions accounted for \$140 million of the decrease. The Federal Fund final budget increased by \$109 million and \$23 million related to the State Fiscal Stabilization and JAG programs, respectively. The increase in federal funding absorbed a substantial portion of the proposed General Fund budget reductions.

### Analysis of Budgeted and Actual Expenses by Fund for Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses/Transfers</u>
General Fund	\$631,050,421	\$462,995,410	\$459,429,210
Special Revenue Funds*	20,229,597	22,229,597	19,022,049
Federal Funds:			
State Fiscal Stabilization – Recovery Act	-	109,452,074	109,452,074
Justice Assistance Grant – Recovery Act	-	<u>23,300,000</u>	<u>23,300,000</u>
Total	<u>\$651,280,018</u>	<u>\$617,977,081</u>	<u>\$611,203,333</u>

*\*Includes Trust and Agency Funds*

*Source: Commonwealth Accounting and Reporting System*

Analysis of Budgeted and Actual Expenses by Program for Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Sheriffs' Offices and Regional Jails	\$403,850,112	\$390,981,476	\$389,256,859
Confinement of Inmates in Local and Regional Facilities	71,735,798	67,037,764	66,812,921
Attorneys of the Commonwealth	66,201,199	61,203,549	60,322,033
Clerks of the Circuit Court	56,290,306	50,550,630	46,843,206
Local Commissioners of the Revenue	20,389,150	17,976,373	17,976,360
Local Treasurers	20,242,929	17,694,304	17,694,270
Local Finance Directors	6,840,130	5,105,226	5,014,926
Administrative and Support Services	6,167,458	7,427,759	7,282,758
Executive Management	<u>(437,064)</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$651,280,018</u>	 <u>\$617,977,081</u>	 <u>\$611,203,333</u>

*Source: Commonwealth Accounting and Reporting System*



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

November 17, 2010

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable Charles J. Colgan  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Compensation Board** for the year ended June 30, 2010. 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.

The Auditor of Public Accounts is an ex-officio member of the Compensation Board. He has knowledge of the relevant reporting requirements and generally accepted government auditing standards. This audit has been conducted in accordance therewith, and, in the opinion of management, his independence has not been compromised, as he neither directly nor indirectly participated in the audit, nor did he instruct the auditors in any manner as to the conduct of the audit.

## Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the Compensation Board's internal controls, and test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports. Our tests of compliance included work to support the Commonwealth's Statewide Single Audit.

## Audit Scope and Methodology

The Compensation Board'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.

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.

Federal grant revenues and expenditures  
Transfer payments  
Excess fee payments

We performed audit tests to determine whether the Compensation Board'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. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Compensation Board's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that the Compensation Board properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Compensation Board 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.

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 and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Compensation Board has taken adequate corrective action with respect to the audit finding reported in the prior year.

### Exit Conference and Report Distribution

We discussed this report with management on November 30, 2010.

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



**COMPENSATION BOARD**  
Richmond, Virginia

Frank Drew, Chairman

Craig Burns, Ex Officio

Walter J. Kucharski, Ex Officio

Robyn M. de Socio, Executive Secretary