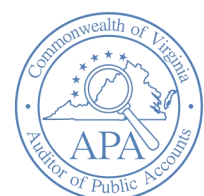




VIRGINIA TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION COMMISSION

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2014

Auditor of Public Accounts
Martha S. Mavredes, CPA
www.apa.virginia.gov
(804) 225-3350



AUDIT SUMMARY

Our audit of the Virginia Tobacco Indemnification and Community Revitalization Commission (Commission) for the year ended June 30, 2014, found:

- the financial statements are presented fairly, in all material respects;
- one internal control finding requiring management's attention; however, we do not consider it to be a material weakness; and
- no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

We have audited the basic financial statements of the Commission as of and for the year ended June 30, 2014, and issued our report thereon, dated June 3, 2015. Our report, included in the Commission's Annual Financial Statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the Commission's website at www.tic.virginia.gov.

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Improve myVRS Navigator (VNAV) Reconciliation Process

The Tobacco Indemnification and Community Revitalization Commission (the Commission) does not retain monthly reconciliation documentation between the Commonwealth Integrated Personnel and Payroll System (CIPPS), Personnel Management Information System (PMIS), and the Virginia Retirement System (VRS) MyVRS Navigator (VNAV). Additionally, there is no policy or procedure in place to detail what steps need to be taken to ensure accurate performance of the reconciliation.

DOA issued payroll bulletin 2013-02 on January 3, 2013, detailing the required tasks and roles of agencies in the reconciliation process. The process now requires the agencies to take on a more significant role in identifying and correcting errors and certifying payroll information in VNAV on a monthly basis. Additionally, Commonwealth Accounting Policies and Procedures Manual Topic 50410 requires each agency to reconcile VRS contributions monthly.

Without sufficient reconciliation documentation, there is no evidence that the monthly reconciliation was actually performed and; therefore, no way to know that the Contribution Snapshot in VNAV, and confirmed by the Commission, is accurate and in agreement with Commission records. Insufficient reconciliation can lead to improper confirmation of retirement contributions, which affects financial reporting and the sustainability of the retirement system.

The current process uses two Microsoft Excel files to perform the reconciliation each reporting period, and clears out all data after confirming the Contribution Snapshot. By clearing out the spreadsheet for future use, the user erases all evidence of performing the reconciliation.

The Commission should retain all VNAV reconciliation documentation to justify that the confirmed Contribution Snapshot is accurate and to ensure appropriate audit evidence is available for review. Additionally, management should develop VNAV policies and procedures to ensure continued compliance with VNAV reconciliation requirements.



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 3, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
And Review Commission

Commission Members
Virginia Tobacco Indemnification and
Community Revitalization Commission

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the **Virginia Tobacco Indemnification and Community Revitalization Commission** (Commission) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and; therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control over financial reporting entitled “Improve myVRS Navigator (VNAV) Reconciliation Process,” which is described in the section titled “Internal Control Findings and Recommendations,” that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Commission’s Response to Findings

We discussed this report with management at an exit conference held on June 15, 2015. The Commission’s response to the findings identified in our audit is described in the accompanying section titled “Commission Response.” The Commission’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AUDITOR OF PUBLIC ACCOUNTS

EMS/alh

The Honorable Terry G. Kilgore
Chairman

The Honorable Frank M. Ruff
Vice Chairman



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VIRGINIA TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION COMMISSION

June 15, 2015

Ms. Martha S. Mavredes
Auditor of Public Accounts
James Monroe Building
101 N. 14th Street
Richmond, VA 23219

Dear Ms. Mavredes:

Thank you for the opportunity to provide the Tobacco Indemnification and Community Revitalization Commission's (Commission's) response to the internal control finding identified as part of your audit of the Commission's financial statements for the year ended June 30, 2014.

As stated in your report, the Commission does perform a monthly reconciliation between the Commonwealth Integrated Personnel and Payroll System, the Personnel Management Information System, and the Virginia Retirement System My VRS Navigator using two Microsoft Excel files to assist in the reconciliation process. The Commission will save these spreadsheets each month in the future to document that each monthly reconciliation was performed.

Sincerely,

Evan Feinman
Executive Director

VIRGINIA TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION COMMISSION

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