



DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT

VIRGINIA REMOVAL OR REHABILITATION
OF DERELICT STRUCTURES FUND

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2015

Auditor of Public Accounts
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AUDIT SUMMARY

Our audit of the Virginia Removal or Rehabilitation of Derelict Structures Fund (Derelict Structures Fund), administered by the Department of Housing and Community Development (Department), for the fiscal year ended June 30, 2015, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and the Department's internal accounting 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.

-TABLE OF CONTENTS-

	<u>Pages</u>
AUDIT SUMMARY	
FUND HIGHLIGHTS	1
INDEPENDENT AUDITOR'S REPORT	2-3
AGENCY OFFICIALS	4

FUND HIGHLIGHTS

Derelict Structures Fund

The Derelict Structures Fund provides grants to local governments for the acquisition, demolition, removal, rehabilitation, or repair of derelict structures. Since fiscal year 2012, the Derelict Structures Fund has received appropriations of \$8 million and has funded the completion of the following projects: Sawyers Furniture Site Redevelopment, Halifax County Burlington Plant Site, George Wythe Hotel Redevelopment, Town of South Boston John Randolph Hotel Acquisition, Staunton Ice House Redevelopment, Wise County Wise Inn Redevelopment Project, Town of Marion Wayne C. Henderson School of Appalachia Music and Arts, and the Town of Clifton Forge Masonic Theater Rehabilitation and Expansion Project.

During fiscal year 2015, the Department spent \$908,458 in support of redeveloping vacant and deteriorated industrial properties across multiple cities within the Commonwealth. The Department will use cash at year-end to fund remaining projects through completion.

Fund Balance, July 1, 2014	\$4,124,881
Appropriation	2,000,000
Expenses	<u>(908,458)</u>
Cash with the Treasurer, June 30, 2015	<u>\$5,216,423</u>

Urban Public-Private Partnership Redevelopment Fund

The Code of Virginia authorized the creation of the Urban Public-Private Partnership Redevelopment Fund during fiscal year 2000 to address the problem of the lack of developable land in urban areas of the Commonwealth, and the high cost of redeveloping such land. The purpose of this fund is to make grants or loans to local governments for assembling, planning, clearing, and preparing sites for redevelopment by private developers. However, since its creation, the General Assembly has not appropriated any monies to this fund; therefore, it was not included in our audit.



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 8, 2016

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 Removal or Rehabilitation of Derelict Structures Fund (Derelict Structures Fund)**, administered by the Department of Housing and Community Development (Department), for the year ended June 30, 2015. 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 Commonwealth Accounting and Reporting System and the Department's internal accounting system, review the adequacy of the Department's internal controls over the Derelict Structures Fund, and test compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

The Department'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 Derelict Structures Fund.

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

Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and its internal accounting system for the Derelict Structures Fund. The Department 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 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 November 4, 2016.

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

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DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

As of June 30, 2015

William C. Shelton, Director

BOARD OF HOUSING AND COMMUNITY DEVELOPMENT

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