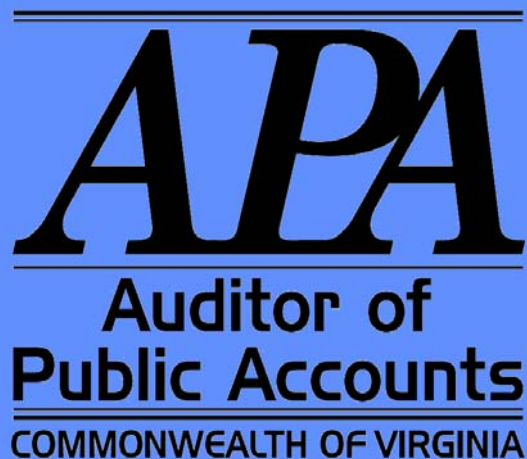


**DEPARTMENT OF CONSERVATION  
AND RECREATION  
VIRGINIA LAND CONSERVATION FOUNDATION  
CHIPPOKES PLANTATION FARM FOUNDATION**

**REPORT ON AUDIT  
FOR THE YEARS ENDED  
JUNE 30, 2010 AND JUNE 30, 2011**



## **AUDIT SUMMARY**

Our audit of the Department of Conservation and Recreation, including the Chippokes Plantation Farm Foundation and the Land Conservation Foundation, for the fiscal years ending June 30, 2010 and June 30, 2011 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; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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## AGENCY HIGHLIGHTS

The Department of Conservation and Recreation works to conserve, protect, and enhance state lands and improve the quality of the Chesapeake Bay and other watersheds, promotes the stewardship and enjoyment of natural recreational resources, and ensures the safety of Virginia's dams. The Department of Conservation and Recreation administers various conservation programs to achieve their mission. Their operations include:

- The state park system includes 35 state parks with most offering outdoor recreational activities including camping, hunting, hiking, horseback riding, boating, fishing, swimming, and cabin rentals. Some parks also offer visitor centers, museums, exhibits, conference facilities, and environmental education centers.
- The Division of Natural Heritage supports a comprehensive effort to inventory and preserve the animal, plant, and natural community resources of the Commonwealth and maintains 59 dedicated natural areas totaling nearly 50,000 acres.
- The Division of Soil and Water Conservation coordinates and directs programs and services to prevent degradation of the Commonwealth's water quality and quantity. Most of the soil and water conservation efforts focus on controlling and reducing non-point source pollution through nutrient management and storm water, erosion, and sediment control programs. Non-point source pollution does not come from a single source but rather through agricultural and urban runoff.
- The Division of Planning and Recreation Resources helps local parks and recreation departments through funding, expertise, and training.
- The Division of Chesapeake Bay Local Assistance provides information and assistance related to land use development and water quality protection to various levels of local, regional, and state government.
- The unit overseeing Land Conservation helps citizens and organizations protect land by providing interested landowners information to understand the different options available for protecting their land. Additionally, the Division provides technical assistance, workshops, and informational services to other state agencies, local governments, land trusts, and professionals.
- The Division of Dam Safety and Floodplain Management works to provide for the safe design, construction, operation, and maintenance of dams to protect public safety. The Division also addresses floodplain management, flood insurance opportunities, and building requirements in floodplains. The Dam Safety, Flood Prevention and Protection Assistance Fund was recently authorized to provide funding for qualified dam rehabilitation, dam break inundation zone mapping, and floodplain projects proposed by local governments and private entities.

## Operating Information

Conservation and Recreation has a variety of funding sources including General Fund appropriations, various special revenues, and federal grants and contracts. Fees, rentals and other state park revenues account for about 77 percent of special revenue collections. In addition, Conservation and Recreation had \$65.3 million in cash at the close of fiscal year 2009 that they used to support operations in fiscal 2010. Of their total cash balance, \$36 million, or 55 percent, related to the Water Quality Improvement Fund and its reserve fund. At the end of fiscal 2011, Conservation and Recreation had \$63.5 million in cash. Of this balance, \$38.2 million or about 60 percent was for the Virginia Natural Resources Commitment Fund, a sub-fund of the Water Quality Improvement Fund. This fund received a large transfer in the final weeks of the fiscal year, which we discuss later in this report.

### 2011 Analysis of Budgeted and Actual Operating Revenues by Fund (in thousands)

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 38,781	\$ 40,891
Special Revenue	19,840	20,876
Dedicated Special	10,453	10,004
Federal	<u>9,634</u>	<u>12,036</u>
Total	\$ 78,708	\$ 83,807

*Source: Adjusted Budget and Actual Revenue, Commonwealth Accounting and Reporting System, 1664D1, as of June 30, 2011*

### 2010 Analysis of Budgeted and Actual Operating Revenues by Fund (in thousands)

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 42,560	\$ 41,550
Special Revenue	16,240	18,811
Dedicated Special	2,828	1,186
Federal	<u>11,971</u>	<u>10,972</u>
Total	\$ 73,599	\$ 72,519

*Source: Adjusted Budget and Actual Revenue, Commonwealth Accounting and Reporting System, 1664D1, as of June 30, 2010*

The tables below provide information about Conservation and Recreation's operating budget and expenses for fiscal years 2010 and 2011. Actual expenses in 2010 and 2011 are about \$24.9 and \$4.6 million more than the agency's revenue, respectively. This is because Conservation and Recreation was required to spend down its Water Quality Improvement Fund cash balances to support operations.

2011 Analysis of Operating Budget and Actual Expenses by Fund  
(in thousands)

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenses</u>
General	\$ 38,781	\$ 40,729	\$ 38,422
Special	22,527	29,865	21,620
Dedicated Special	47,122	73,760	16,656
Federal	<u>14,162</u>	<u>15,148</u>	<u>11,673</u>
Total	\$ 122,592	\$ 159,502	\$ 88,371

*Source: Original Budget – Appropriation Act Chapter 874, Adjusted Budget and Actual Expenses  
– Commonwealth Accounting and Reporting System 1419D1 report as of June 30, 2011*

2010 Analysis of Operating Budget and Actual Expenses by Fund  
(in thousands)

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenses</u>
General	\$ 42,560	\$ 41,334	\$ 38,389
Special	19,324	21,501	17,727
Dedicated Special	39,822	55,446	31,591
Federal	<u>15,809</u>	<u>15,825</u>	<u>9,652</u>
Total	\$ 117,515	\$ 134,106	\$ 97,359

*Source: Original Budget – Appropriation Act Chapter 781, Adjusted Budget and Actual Expenses  
– Commonwealth Accounting and Reporting System 1419D1 report as of June 30, 2010*

The adjusted budget increased \$25.5 million between 2010 and 2011 primarily due to a significant increase in Dedicated Special Revenue Funds for the Virginia Natural Resources Commitment Fund, which provides matching grants to help lessen nonpoint pollution that occurs because of agricultural activities and development.

Conservation and Recreation's expenses were \$36.8 million and \$71.3 million less than its adjusted budget for fiscal years 2010 and 2011, respectively. This difference is largely the result the Conservation and Recreation's budgets and actual expenses for the Water Quality Improvement Fund in fiscal year 2010 and the Virginia Natural Resources Commitment Fund in fiscal year 2011. In fiscal year 2011, Conservation and Recreation budgeted about \$30 million for the Virginia Natural Resources Commitment Fund. However, the \$27.6 million transfer to support the program did not occur until the final weeks of the fiscal year.

When the transfer occurred, Conservation and Recreation received an additional budget appropriation of the same amount even though it had already included \$30 million in its budget at the beginning of the fiscal year. As a result, the Virginia Natural Resources Commitment Fund

variance of about \$57.3 million accounts for over 80 percent of the difference between the agency's adjusted budget and actual expenses.

A significant portion of Conservation and Recreation's expenses are transfer payments to organizations to fund dedicated special revenue programs including the Water Quality Improvement Fund. The following table summarizes Conservation and Recreation's operating expenses by type for fiscal years 2010 and 2011.

2010 and 2011 Analysis of Expenses by Type  
(in thousands)

	<u>2011</u>	<u>2010</u>
Personal Services	\$ 37,535	\$ 36,443
Transfer Payments	29,917	44,725
Contractual Services	7,260	6,005
Continuous Charges	5,296	5,261
Supplies and Materials	5,259	3,780
Other	<u>3,104</u>	<u>1,145</u>
Total	\$ 88,371	\$ 97,359

*Source: Commonwealth Accounting and Reporting System*

Personal services and transfer payments are Conservations and Recreation's most significant expenses, accounting for 80 percent of total agency expenses over the two-year period. Conservation and Recreation records payments to localities and local soil and water districts for the programs noted above as transfer payments. A detailed discussion of these programs follows.

*Water Quality Improvement Fund*

The Virginia Water Quality Improvement Fund (WQIF) is a permanent non-reverting fund created to provide water quality improvement grants for point and non-point source pollution prevention. The WQIF receives funding from the General Fund and statutory funding as defined in the Code of Virginia, which requires 10 percent of annual statewide General Fund revenue collections that exceed the official estimates in the General Appropriation Act, and 10 percent of any unreserved General Fund balance at the close of each fiscal year not mandated for re-appropriation go into the fund

Conservation and Recreation provides financial and technical assistance to local governments, soil and water conservation districts, state agencies, institutions of higher education, and individuals. The Code of Virginia requires Conservation and Recreation to allocate no more than 60 percent of its Water Quality Improvement Funds to programs in the Chesapeake Bay watershed.

The General Assembly's appropriation of additional general funds for transfer into the Water Quality Improvement Fund varies. Conservation and Recreation closely monitors and manages the

number and value of grants they award each year to ensure funds are available in future years. Most of the funds expended are grant awards to the 47 Soil and Water Conservation Districts for implementation of agricultural best management practices that reduce nonpoint pollution.

#### *Virginia Natural Resources Commitment Fund*

The 2008 General Assembly established the Virginia Natural Resources Commitment Fund as a sub-fund of the WQIF. For a 10-year period beginning July 1, 2008, Conservation and Recreation's Agricultural Best Management Practices Cost-Share Program uses this fund to implement agricultural best management practices.

Fifty-five percent of the fund's resources serve as matching grants for agricultural best management exclusively or partly within the Chesapeake Bay watershed and 37 percent are for matching grants for farmland exclusively outside of the Chesapeake Bay watershed. Conservation and Recreation distributes the remaining eight percent through the Virginia Agricultural Best Management Practices Cost-Share Program to local soil and water conservation districts to provide technical assistance for the implementation of agricultural best management practices.

#### *Virginia Land Conservation Fund*

The Virginia Land Conservation Fund is a special permanent fund established to account for the resources of the Virginia Land Conservation Foundation (Foundation). The Foundation receives General Fund appropriations and has interest earnings. Conservation and Recreation includes the Foundation's budgetary and financial activities in the Leisure and Recreation Services program.

The Foundation awards grants to state agencies, localities, public bodies, and tax-exempt nonprofit organizations to protect natural areas, open spaces, parks, farmlands, forest, and historic areas. The Foundation also provides support to the Virginia Outdoors Foundation, a state entity that conserves land by holding conservation easements. Although Conservation and Recreation provides the staffing and administrative support, including scoring grant applications for the Foundation, the Foundation retains overall responsibility for managing the resources of the Fund and awarding grants. Annual Foundation expenses for fiscal years 2010 and 2011 were about \$6.8 million and \$569,000, respectively. The decrease in fiscal 2011 was due to budget reductions.

#### *Chippokes Plantation Farm Foundation (Foundation)*

The Foundation plans, manages, and provides financial and material resources and technical assistance for the development, maintenance, and operation of the Chippokes Farm and Forestry Museum and Chippokes Plantation State Park located in Surry County. Conservation and Recreation staff process the Foundation's transactions, which are mostly payroll expenses. About 60 percent of the Foundation's budget come from the General Fund with the remaining expenses funded by special revenue derived from farmland rent payments, donations, admissions, and gift shop sales. Through June 30, 2011, the Foundation was an independent state agency; however, the Governor's 2012 Government Reform Initiatives merged the Foundation with the Chippokes Plantation State Park. The Foundation spent about \$345,000 during fiscal year 2010 and \$157,000 during fiscal year 2011.



### *Capital Projects*

In November 2002, voters approved the “Commonwealth of Virginia Parks and Natural Areas Bond Act” that authorized the Commonwealth to sell \$119.04 million in bonds to acquire land for natural areas and state parks, improve trails, construct cabins and campgrounds, renovate visitor centers, and perform other infrastructure projects at state parks. As of this report, the Commonwealth has issued about \$103 million of these bonds.

Of the 72 projects authorized under the Bond Act of 2002, 57 projects are complete and 15 projects are in progress. Conservation and Recreation uses funds from other sources to supplement revenue from the Bond Act of 2002 for the completion of these projects. These projects include acquisition of land for natural areas and state parks, trail improvements, campground and cabin construction, renovation of visitor centers, and infrastructure improvements at state parks. The following table summarizes the expenses under the Parks and Natural Areas Bond Act of 2002:

#### Commonwealth of Virginia Parks and Natural Areas Bond Act of 2002 Expenses (in thousands)

	<u>Project Budget</u>	<u>Expenses</u>	<u>Obligations</u>	<u>Balance</u>
Parks & Natural Areas Bond Act of 2002	\$ 119,040	\$ 110,490	\$ 1,309	\$ 7,241
General Fund	9,480	9,406	-	74
Special Revenue Fund	8,353	3,948	641	3,764
Virginia Public Building Authority	12,417	12,093	93	231
Federal Fund	<u>22,582</u>	<u>19,700</u>	<u>577</u>	<u>2,305</u>
Total	<u>\$ 171,872</u>	<u>\$ 155,637</u>	<u>\$ 2,620</u>	<u>\$ 13,615</u>

#### *Commonwealth Accounting and Reporting System and Agency Information*

In addition to the \$37.3 million and \$8.4 million of expenses in fiscal years 2010 and 2011 for projects authorized in the Bond Act of 2002, Conservation and Recreation spent \$6.2 million in 2010 and \$2.7 million in 2011 on other capital projects such as the completion of High Bridge State Park, repairs to various state parks to improve water conservation, and the construction of cabins at Andy Guest State Park. During the 2012 session, the General Assembly approved a Conservation and Recreation project to ensure the safety of Virginia’s dams by repairing and upgrading state park owned dams. Conservation and Recreation will finance this project through the issuance of VPBA pooled bonds in fiscal year 2013 and will coordinate the project with the Virginia Department of Emergency Management.



# Commonwealth of Virginia

## *Auditor of Public Accounts*

Walter J. Kucharski  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

June 29, 2012

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable John M. O'Bannon, III  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Department of Conservation and Recreation, Chippokes Plantation Farm Foundation, and the Virginia Land Conservation Foundation** (Conservation and Recreation) for the years ended June 30, 2010 and June 30, 2011. 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, review the adequacy of Conservation and Recreation's internal controls, test compliance with applicable laws and regulations and review corrective actions of audit findings from prior year reports.

### Audit Scope and Methodology

Conservation and Recreation'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.

Appropriations  
Capital assets  
Cash receipting and collections of  
accounts receivable  
Contractual services expenses

Federal revenues and expenses  
Payroll expenses  
Small purchase charge cards  
Information Security

We performed audit tests to determine whether Conservation and Recreation'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 Conservation and Recreation's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that Conservation and Recreation properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Conservation and Recreation 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 and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Conservation and Recreation has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

### Exit Conference and Report Distribution

We discussed this report with management on June 29, 2012.

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

SV/alh

AGENCY OFFICIALS  
(As of June 30, 2011)

DEPARTMENT OF CONSERVATION AND RECREATION

David A. Johnson  
Director

John Moore  
Director of Finance

Eric Surratt  
Internal Auditor

CHIPPOKES PLANTATION FARM FOUNDATION

Linda A. Guntharp  
Executive Manager

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